FINANCIAL TIMES

French diplomacy
Chirac tears up the rulebook
Lionel Barber, Page 10

US presidency
Fast track fiasco sidelines Clinton
Page 11

Germany and Emu
Tietmeyer pleads guilty to realism
Page 2

Belgium
Prosperous but uneasy
Survey, separate section

World Business Newspaper http://www.FT.com WEDNESDAY NOVEMBER 12 1997

WORLD NEWS

Russian oil group to seek partners for privatisation

The management of Rosneft, the last big Russian oil company still to be privatised, plans to team up with foreign partners to bid for the group when it goes on sale this year. Chairman Alexander Putilov said the consortium would include at least two western oil companies and two western financial investors. Page 12

Affirmative action for women
Affirmative action to appoint women to public-sector jobs where they are under-represented was backed by the European Court of Justice, provided it does not involve rigid quotas. Page 12

European Central Bank
The chances of Wim Duisenberg becoming first head of the European Central Bank receded further when Italian prime minister Romano Prodi threw his weight behind plans to block the Dutch candidate. Page 2

Moscow tax changes
Russian PM Victor Chernomyrdin said a new tax code, critical for the country's attempts to put its public finances in order, must be adopted early in 1998. Page 2; Editorial Comment, Page 11

Iraq spurns UN appeal
Iraq refused to reverse its order to expel US arms inspectors after fresh appeals from the UN Security Council. Page 4

Egypt to boycott conference
Egypt delivered a blow to US Middle East policy when it announced it would boycott a Washington-backed economic conference to which Israel was invited. Page 12

Brazil estimates cut
Economists cut their 1998 estimates for economic growth in Brazil following Monday's announcement of a R$20bn (US$18.2bn) package of budget cuts and tax rises. Page 6; Editorial Comment, Page 11

Internet copyright watchdog
Record companies will finance the creation of a London-based detection unit to scour the internet for copyright abuse. Page 4

EU competitiveness pledge
UK chief industry minister Margaret Beckett pledged that the British government would use its presidency of the EU next year to launch a continent-wide campaign to improve industrial competitiveness. Page 7

World Bank warns Vietnam
Vietnam risks slipping into economic decline and sparking "severe macroeconomic instability" if it does not rapidly reform the debt-ridden state sector, clean up banks and promote export-driven growth, the World Bank said in a report issued ahead of a meeting of donors in Tokyo next month.

European labour mobility
A package of measures designed to improve the mobility of workers inside the EU is expected to be adopted by the European Commission today. Page 2

Balkan link reopens
Croatia and Yugoslavia moved closer to normalising relations when they reopened rail links broken by the onset of war in 1991. Page 3

Mahathir oil pipe pledge
Malaysian PM Mahathir Mohamad is to push ahead with a M$10bn ($3bn) scheme to build a pipeline, highway and rail link from North West Malaysia to South Eastern Thailand. Page 5

Korean currency slide
Economists are counting the cost as the South Korean currency, the won, accelerates its slide against the US dollar. Page 5; Currencies, Page 23

BUSINESS NEWS

ING launches $5.5bn bid for BBL in record European offer

ING, Dutch banking and insurance group, has launched a $5.5bn offer for Belgium's third-largest bank, Banque Bruxelles Lambert – the biggest cross-border bid in the European banking sector. The offer ended weeks of speculation over BBL's future, but the leading shareholders will make no decision until next Monday. Page 13; Survey on Belgium, Separate section

The European Commission is poised to allow P&O and Stena Line, the two leading ferry companies competing with the Channel tunnel, to merge their operations, but with a review after three years. Page 13

BMW, the German carmaker, said it would terminate a contract to supply engines for a new range of Rolls-Royce cars if UK engineering group Mayflower made a successful bid for Vickers, which owns RR. Page 13

Trustor, Swedish investment company at the centre of cash misappropriation allegations, said it had traced SKr135m ($18m) of a missing SKr620m to a London bank. Page 16

Samsung Heavy Industries of South Korea is closing its only European hydraulic excavator manufacturing plant less than three years since it announced the £10m ($17m) project in northern England. Page 8

Telecom Italia's two top executives, Guido Rossi and Tomaso Tommasi di Vignano, have fallen out over corporate governance two weeks after a L26,000bn ($15.5bn) privatisation. Page 16; Lex, Page 12

Virgin Atlantic founder Richard Branson is expected to tell EU competition officials and member states that sales techniques used by British Airways are anti-competitive, exclusionary and illegal under EU law. Page 4

General Motors said it expected to take a restructuring charge of $2bn-$3bn after tax, in the latest move to turn around its North American and European operations. Page 14

Norwegian savings bank Sparebanken NOR's NKr5.16bn ($741m) friendly takeover of the smaller Fokus Bank is in doubt after it failed to win approval from a minority shareholder. Page 16

Wal-Mart Stores, largest US retailer, reported a 15.8 per cent increase in after-tax profits to $792m in the three months to the end of October, helped by better margins and improving international operations. Page 14

Eastman Kodak plans to cut 10,000 jobs – ten per cent of its workers – in a bid to buttress its business against inroads by its Japanese arch-rival Fuji. Page 13

Microsoft has rebutted the latest antitrust charges brought against it, saying the US Justice Department is "interfering" in the design of its products. Page 6

Astra International, Indonesian carmaker, reported a 4 per cent drop in net profits as the currency crisis hit sales. Page 17

The global semiconductor sector is gearing up for a rise in capital spending over the next few years, said industry association Semiconductor Equipment & Materials International. Page 4

Philippine Long Distance Telephone Company shares surged after permission to raise tariffs to compensate for falling international accounting rates. Page 17; World stocks, Page 31

Deficit target prompts Waigel to defer DM6bn in federal payments

Bonn acts to ensure Emu entry

By Peter Norman in Bonn

Theo Waigel, Germany's finance minister, yesterday took emergency action to ensure that Germany will meet the public deficit criterion for entry into European economic and monetary union this year, by deferring DM6bn ($3.5bn) of federal payments to reduce old east German debts.

Shortly after a special finance ministry commission reported that total tax revenues in 1997 would be DM17.3bn lower than expected and DM22.4bn less than foreseen in 1998, Mr Waigel said the federal government's net borrowing would not exceed the DM71.2bn already planned for this year.

Borrowing next year, at about DM57bn, would fall below the DM57.8bn target announced in July and be less than the planned level of federal investments, as required by Germany's constitution.

Mr Waigel announced an unexpected DM4bn of savings this year from one-off measures at the federal labour office, which administers Germany's unemployment insurance system, as well as DM3bn of savings from already announced budget freezes and DM2bn extra income from privatisation.

The government will delay until next year acceptance of DM8bn from the transfer of part of its Deutsche Telekom shares to the state-owned Kreditanstalt für Wiederaufbau. Proceeds from the Telekom placements will now total DM2bn this year and DM23bn in 1998. Bonn will also obtain some extra funding from hitherto unannounced asset sales, including the disposal of its stake in Hamburg airport.

Mr Waigel said Germany would comply with the public deficit criterion – contained in the Maastricht treaty on monetary union – of 3 per cent of gross domestic product this year and next. He said the government was facing additional burdens of about DM14.1bn in 1998 because of high long-term unemployment. But, in addition to the Telekom billions, it expected relief from a quickening of economic growth in 1998 and a reversal of rising unemployment.

The special tax commission forecast that overall revenues of the federal, state and local authorities and the European Union in Germany would fall this year to DM795.1bn from DM800bn in 1996, in spite of nominal economic growth of 3.2 per cent. Tax revenues are predicted to rise by only 2.4 per cent to DM814.2bn in

Continued on Page 12
Tietmeyer confident, Page 2
Vegetable-eater, Page 10

Theo Waigel yesterday. Germany expected to benefit from a quickening of economic growth in 1998 AP

Daimler-Benz puts brakes on A-Class for modifications

By Graham Bowley in Frankfurt

Daimler-Benz, the German industrial group, yesterday temporarily halted delivery of its controversial Mercedes-Benz A-Class car model to give it a new chassis system in a fresh attempt to calm lingering concerns about the vehicle's safety.

Daimler said deliveries would be stopped until February. It will install new stabilisers on front and rear axles, lower the car body and fit wider tyres. Daimler said the improvements and production delays would cost DM100m ($58.4m) this year and DM200m in 1998 – twice the original estimates.

Daimler faced embarrassment last month when the stability of the A-Class – the company's first move into the smaller, economical car market – came under scrutiny just weeks after it went on sale. The car rolled over during the so-called "Moose test" driving manoeuvre which simulates swerving to avoid moose on Swedish roads.

Daimler responded to the adverse publicity by calling in vehicles to change their tyres and fit electronic stabilisers as standard.

But speculation about the car's safety refused to die down and Daimler said yesterday that intensive testing since then had shown that the chassis changes were necessary to overcome the problem. It said the modified car performed "marvellously", even in extreme situations.

Jürgen Schrempp, Daimler-Benz chief executive, said: "That the A-Class has shown a weakness in extreme test situations is something nobody regrets more than we do.

"Our engineers have devoted all their energy, day and night, to the search for the optimal solution, and we have found it."

Analysts said they reserved judgment. "Their willingness to stand up and take this extraordinary action means that the betting must be that this puts it back on the right track," said John Lawson at Salomon Brothers in London.

However, some observers warned that Daimler was underestimating the marketing costs needed to rebuild consumer confidence as well as the damage to the Mercedes brand.

Daimler had planned to deliver 18,000 A-Class vehicles this year. It had expected to build about 180,000 in 1998, but said this figure had been reduced to about 160,000.

In spite of the extra costs, Daimler said it would not change its forecast for a group operating profit of about DM3.7bn this year. It also stuck by its forecast for group turnover of up to DM120bn this year.

Daimler said 2,600 customers who had received their A-Class vehicles in Europe could have them converted at special service centres which were being set up.

Daimler said there had been about 3,000 cancellations since problems with the A-Class were made public but this had been outweighed by new orders.

World stocks, Page 34

World watchdog probe into accounting mergers

By Jim Kelly, Accountancy Correspondent

World stock market regulators are to scrutinise the two mergers planned by global accounting firms amid worries that they could undermine auditors' independence and damage shareholder protection.

In a statement after its annual conference, Iosco, the club of the world's leading securities regulators, said it would "explore the impact" of the mergers proposed between Price Waterhouse and Coopers & Lybrand, and between Ernst & Young and KPMG.

The intervention of Iosco, which represents regulators such as the Securities and Exchange Commission in the US and Financial Services Authority in the UK, is unexpected and represents another hurdle for the big firms. They were already facing scrutiny by competition authorities such as the European Commission. The big firms have been involved in lengthy informal talks on the implications of the mergers for client choice.

One Iosco conference observer said: "Some stock market regulators are worried about choice too, for themselves and for companies. It is an old debate but the merger plans have raised the stakes – the Big Six firms have put their heads above the parapet."

Iosco said it had noted the big firms' "increasing reliance on revenues from consulting and other non-audit services" and that its technical committee would explore the impact on the quality and independence of listed company audits.

Mr John Cairns, editor of World Accounting, said: "Global mergers require global regulation. If this means Iosco is going to limit the big firms doing non-audit work for audit clients, then its got big implications."

Mr Nick Land, senior partner of Ernst & Young in the UK said: "There are already remedies out there that help secure independence, such as the disclosure

Continued on Page 12

Markets

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	7,582.55	(+29.92)
NASDAQ Composite	1590.75	(+0.03)
Europe and Far East		
CAC40	(c)	
DAX	3731.06	(-21.45)
FTSE 100	4793.7	(-13.1)
Nikkei	15,867.23	(+170.03)
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	5.301%	
Long Bond	99§	
Yield	6.143%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(same)
UK: 10 yr Gilt	104.2188	(104.844)
France: 10 yr OAT	(c)	(98.98)
Germany: 10 yr Bund	102.76	(102.8)
Japan: 10 yr JGB	109.19	(109.38)
NORTH SEA OIL (Argus)		
Brent Dated	$19.20	(19.045)

GOLD

New York: Comex		
Nov	$309.8	(310.3)
London:		
	$311.65	(310.95)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.704	
DM	1.71225	
FFr	5.7345	
SFr	1.39355	
Y	125.125	
London:		
£	1.7039	(1.6871)
DM	1.7113	(1.7116)
FFr	5.7325	(5.7091)
SFr	1.3940	(1.3925)
Y	125.10	(124.080)
Tokyo close		Y 124.75
Sterling		
DM	2.9159	(2.8875)

© THE FINANCIAL TIMES LIMITED 1997 No.33,446
London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York
Los Angeles · Tokyo · Hong Kong

4 6
9 770174 736135

[illegible]	[illegible]	[illegible]

Inside

COMMENT & ANALYSIS

The Woodward case: A British reaction of xenophobic passion?

TECHNOLOGY

FINANCE

EMERGING MARKETS

Measures likely to be adopted today aim to help jobless look further afield for employment

Brussels to improve worker mobility

By Emma Tucker in Brussels

A package of measures designed to improve the mobility of workers inside the European Union is expected to be adopted by the Commission today. At present, only a tiny number of EU citizens make use of their right to work in other member states.

The provisions, which aim to encourage workers – especially the unemployed – to look further afield for jobs, also tackle problems encountered by third-country nationals when they move from one country to another.

Twenty years since the main EU rules on free movement of workers were adopted, only 5m Europeans of a total population of 370m reside in another member state. Less than 2 per cent of the EU's working-age population consists of people from one member state working in another.

Language barriers aside, research has shown that complicated regulations in member states, and the inability of workers to carry supplementary pension rights across borders, for example, have hindered mobility.

"Even today, many European citizens find their attempts to work in another member state frustrated by legal, administrative and practical obstacles," said Padraig Flynn, commissioner responsible for employment and social security.

One of the measures likely to be agreed today aims to improve conditions for the 13m non-EU citizens legally residing and working in the EU. Brussels wants to amend a law so they would in future be allowed to take social security rights and benefits accumulated in one member state with them when they move to another.

At present, the right is only extended to EU citizens. Germans working in Belgium do not lose their entitlement to German social security provision if they pay national insurance in Belgium. But an American moving to Italy from the UK loses his or her accumulated benefits.

"It is no longer justifiable that a worker who contributes to and is covered by national social security arrangements should be completely excluded from the protection offered by the EU co-ordination system, simply because he or she is not an EU national," said Mr Flynn.

The proposal is unlikely to make it onto the statute books soon. It has to be agreed unanimously by member states, many of which are hostile because the plans would entail a further drain on resources. Other points in the action plan include measures to:

- Improve existing legislation by better co-ordination of tax and social security regimes, and by making it easier for workers to carry supplementary pensions with them when they cross borders;
- Make the European labour market more transparent by establishing an EU-wide job-seeking system with information on vacancies and training opportunities across the member states;
- Make people more aware of their rights to free movement.

Duisenberg's central bank prospects recede

By James Blitz in Rome and Gordon Cramb in Amsterdam

The chances of Wim Duisenberg becoming first head of the European Central Bank receded further yesterday when Romano Prodi, the Italian prime minister, threw his weight behind plans to block the Dutch candidate.

Even before publication of Mr Prodi's claim that Mr Duisenberg had been unacceptably "contemptuous" of Italy's ability to enter the planned single currency, the Dutch government appeared to soften its insistence that its former central bank governor should have the job.

Hans van Mierlo, foreign minister, said on Monday night after meeting European Union counterparts in Brussels that "compromises are not to be shunned" as long as they were rational. This followed a surprise move by France last week to put up Jean-Claude Trichet, its central bank chief, as a candidate for the job.

A Hague foreign ministry official acknowledged yesterday that Mr Prodi's comments meant that the Dutch could no longer claim that only France was standing in the way of Mr Duisenberg.

"I think it's a very good thing that Duisenberg is being blocked," Mr Prodi told the Italian daily Il Messaggero. He implied that Hans Tietmeyer, the current Bundesbank president, would be a better choice.

"There was a point at which central bankers were expressing severe criticism of Italy. Tietmeyer gave severe judgments which expressed his preoccupations but they were well-grounded. Duisenberg preferred judgments that were simply contemptuous."

The substance of any potentially acceptable compromise remained unspecified yesterday. Mr Tietmeyer has said he does not want the ECB job. The Hague official said there was "absolutely no question" of splitting the term to give Mr Duisenberg and another candidate three years each.

Mr Duisenberg moved to Frankfurt this summer as head of the European Monetary Institute, the forerunner of the ECB. The Netherlands had fully expected him to accede unopposed to the new post next May but is pursuing the issue cautiously, avoiding any overt threat to use its veto to block Mr Trichet.

"The more calmly and quietly we respond, the better," said Mr van Mierlo. "This is not only about the Netherlands again needing to land a post. It also concerns the position in respect of monetary policy."

The decision by Mr Tietmeyer to rule himself out for the ECB presidency will come as a blow to Mr Prodi, who had believed that a stand-off between France and Germany could have been resolved by allowing the Bundesbank chief to take the post for three years.

Russia 'must have new tax code next year'

By John Thornhill in Moscow

A new tax code, critical for Russia's attempts to put its shaky public finances in order, must be adopted in the first half of 1998, Victor Chernomyrdin, prime minister, said yesterday.

The code, needed to simplify Russia's often contradictory tax regime, has been much wrangled over between the government and parliament, leading to delays in introducing it. The government had hoped to implement a new tax code at the start of next year.

Mr Chernomyrdin promised that a trilateral commission, composed of members of government and both houses of parliament, would reach a satisfactory compromise on overhauling Russia's tax regime, which he described as "the world's most complex".

"This has extreme significance for the country's economy," he declared. The Russian government has been goaded by the International Monetary Fund into producing an action plan to tackle a severe shortfall in federal revenues. Last month, the IMF suspended a loan payment to Russia, citing lack of progress on tax collection.

Mr Chernomyrdin conceded the state had collected only 60 per cent of its planned taxes so far this year. The government promises to unveil details of the plan later this week. Alexander Pochinok, head of the state tax service, yesterday outlined a series of measures to increase tax collection.

For example, oil companies which are up to date with their tax payments will be allowed to export more of their output, benefiting from higher international prices.

But the government will not forgive any outstanding tax payments and will force corporate tax debtors to reschedule their debts or face bankruptcy proceedings. "If an enterprise does not agree to restructuring voluntarily, we will ask the tax police to arrest its assets or ask Mr Mostovoi [head of the state bankruptcy agency] to start proceedings against it," Mr Pochinok said.

The Russian government has talked tough before but failed on its promises to raise extra tax revenue. But Mr Pochinok said the Justice Ministry was developing stronger legal mechanisms.

"In the past, court marshals were weak and feeble creatures. Usually, it was a woman with children, without a sub-machine gun or a bullet-proof vest. We are now creating a mechanism allowing the state to protect its interests."

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colm A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigha, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Spain to clear way for labour flexibility

By David White in Madrid

Spain needs to take further steps to introduce more flexibility into its labour market, Rodrigo Rato, economy and finance minister, said yesterday.

The centre-right government's decision to promote further changes comes despite a reform package agreed this spring between trade unions and employers' organisations. The package was aimed at reducing the country's unemployment rate, the highest in the European Union.

The changes are aimed at overcoming employers' reluctance to take on new permanent staff by creating a new model of job contract, limiting employers' liability to compensation payments in the event of redundancies.

The new contracts apply to people wanting to convert from temporary to permanent jobs, to young people and other groups with particular difficulties finding employment.

Mr Rato said more than 300,000 people had taken advantage of the new contracts since May, and Spain was creating jobs at a rate three times the EU average. But he said that conditions on hiring, working hours and wages still needed to be made more flexible.

Mr Rato's comments coincided with publication of October figures showing an increase of 32,800 in the number of registered job-seekers to 2.07m, or 12.9 per cent of the active population, compared with 12.7 per cent in September. This figure accounts for only part of total unemployment, officially estimated at near 21 per cent.

Despite the rise, attributed partly to the end of the tourist season, new labour contracts reached a monthly record of 1.1m.

Tietmeyer confident that Germans will rise to challenge

The head of Germany's Bundesbank tells **Peter Norman** and **Andrew Fisher** why he is being realistic about Emu

It is not easy to express reservations about the euro in Germany. Helmut Kohl, the chancellor, has staked so much prestige on the launch of the European single currency in January 1999, that any official appearing less than enthusiastic is quickly suspected of disloyalty.

These are therefore difficult days for Hans Tietmeyer. The president of the Bundesbank is charged by law with upholding the D-Mark and ensuring it will not be replaced by a weaker currency. With his insistence that European economic and monetary union must be sustainable and with his warnings that Germany must adapt to make it work, Mr Tietmeyer is frequently suspected of euro-scepticism.

But interviewed in his large, functional office near the top of the Bundesbank's Frankfurt headquarters, he pleads guilty to realism, not scepticism.


Tietmeyer: 'Coolness towards euro preferable to euphoria'

"I would be a sceptic if by that you meant that I point to the conditions, the requirements for it to be a sustainable success. But that is the wrong definition of sceptic. I am an advocate of a euro that is solidly based and has a good chance to stay solid on a sustainable basis and to produce no major conflicts.Anyone who pushes for what I have sought is no opponent, no sceptic, rather an advocate [of Emu]."

Mr Kohl and others might take some comfort from that announcement. But they might well be daunted by the number and scale of the things Mr Tietmeyer thinks Germany needs as a result. "We have a hell of a lot to do," he says. "We have to make sure of our tax revenue base over the long term. We have to make sure we are flexible and dynamic and not just in the export sector. We have to have more flexible labour markets."

"There are people who say 'look at our exports, look at our huge trade surplus'. [Both of these should reach record levels this year.] That's all very well. I agree that the process of adjustment in Germany's export industry is already very advanced.

But I cannot equate the competitiveness of our export industry with the competitiveness of the economy as a whole. If you look at the economy as a whole – at its level of dynamism – then a lot remains to be done in Germany."

Emu makes change all the more urgent. "[It] is not a formula for solving all our problems," the central banker says, "but a toughening of the environment".

In some areas, he agrees, Germany would benefit. "But in some ways it will make life harder. If the will and the desire to change are there, things will work out. But people will be labouring under an illusion if they believe the coming of the euro will protect them from the need to adjust."

On the other hand, Mr Tietmeyer distances himself from those who claim that nothing is changing in Germany.

"I agree not enough is changing. But let's look at wages, working hours, flexibility. I have the impression a lot has been happening over the past couple of years. There is quite a lot of flexibility at plant level, even regarding wages.

"Things are happening at company level, below the threshold of public awareness. In the case of wages policy, that comes from eastern Germany. That's where the erosion of the collective bargaining system is quite advanced.

"But it is all happening in relatively narrow sectors. Not in the bureaucracy, not in the legal system or the welfare state. That's where our problems lie. There could also be a problem of attitudes in society as a whole. But then, if you compare things with how they were a year ago, mental attitudes are changing, though slowly."

But won't the euro, and the increased competitiveness it brings, deliver an economic shock to the country?

For a self-proclaimed realist, Mr Tietmeyer is optimistic. "I hope that Germany will be ready and I have tried to make clear to German politicians and the public what currency union means," he said.

Is the public ready? What of the German public's notorious coolness towards the single currency? Here Mr Tietmeyer sees an unexpected benefit.

"German coolness towards the euro is preferable to euphoria. Hard realities will have to be confronted and people need to be realistic about what this means. A positive attitude that is aware of reality is a better base for Emu than any other."

NEWS DIGEST

Drachma worry hits markets

The benchmark index on the Athens stock exchange fell by 5.85 per cent yesterday as retail investors lost confidence, unsettled by continuing turmoil in the money market. All but one of the exchange's 62 component stocks finished lower on the day.

The lack of buyers was attributed to persisting high drachma rates in the money market. The Socialist government is scheduled to present its budget today, in the wake of recent pressure on the currency.

Lucas Papademos, the governor of the Bank of Greece, yesterday met representatives of the main banks to discuss ways to bolster liquidity in the money market and demand for bonds, according to reports.

However, the one-month Athibor, Greece's benchmark interbank rate, eased to 39.02 per cent from Monday's 44.92 per cent on a recalculated basis. *Reuters, Athens*

■ RUSSIAN POLITICS

Vladivostok mayor quits

The mayor of Vladivostok said yesterday he had resigned after years of acrimonious battles with the regional governor. Victor Cherepkov, a former naval officer, said he was stepping down because his long rows with Yevgeny Nazdratenko, the governor of Primorsky Krai, had utterly undermined his authority as city council leader.

He appeared later on television, saying he planned to reveal more about local politics in the region, which is close to China and North Korea and serves as home to Russia's Pacific Fleet.

The fleet has been badly hit by cuts in defence spending and the post-Soviet economic crisis in general. Igor Khmelnov, its former commander, went on trial yesterday on charges including abuse of office and forgery.

Mr Cherepkov and Mr Nazdratenko have exchanged accusations of graft and mismanagement. In March 1994, riot police stormed city hall to arrest Mr Cherepkov on corruption charges, though he was later reinstated.

The governor, originally appointed by President Boris Yeltsin, has since fallen out with the Kremlin over the return to China of disputed frontier territory close to Vladivostok and over his handling of an energy crisis in Primorsky Krai. *Reuters, Vladivostok*

■ CYPRUS

Holbrooke ends talks

Richard Holbrooke, the US envoy for Cyprus, yesterday left the island without announcing any breakthrough on the long-running dispute between Greek and Turk Cypriots. He had spent four hours discussing the island's problems with Glafcos Clerides, the Greek Cypriot president, and Rauf Denktash, the Turkish Cypriot leader.

Mr Holbrooke then headed for Ankara for further talks with Mesut Yilmaz, the Turkish prime minister.

Referring to tensions between Greece and Turkey, Mr Holbrooke said differences between the two Nato allies could not be dealt with, unless Cyprus was tackled first. He said holding the meeting was a "positive fact" by itself but noted that "the legacy of distrust" prevented fruitful talks about the future.

Mr Holbrooke conceded that the two communities on the island held incompatible positions on two or three key issues, such as sovereignty, and the return of refugees.

He did not appear to have made any headway on the question of Cyprus-EU accession talks, which are due to begin next spring. Turkey has threatened to annex the northern part of the island if the EU proceeds with accession with the Greek Cypriot part of the island. *Andreas Hadjipapas, Nicosia*

■ TURKISH ISLAMISTS

Erbakan wins time

Turkey's constitutional court yesterday gave Necmettin Erbakan, leader of the Islamist Welfare party, another week to prepare his defence in the country's most high-profile trial.

Mr Erbakan is fighting against a state prosecutor's demand that the party be closed for agitating against "the principle of secularism in the constitution".

On entering court Mr Erbakan asked for 20 days to rebut the prosecution's claims that he had called for a *jihad* or "holy struggle" against the state and had urged party members to contribute money to an Islamist television channel.

However, the court rejected Mr Erbakan's demands and set a hearing for next Tuesday. Welfare is Turkey's largest political party with 150 of the 550 seats in parliament. *John Barham, Ankara*

■ ROMANIAN ECONOMY

Rising price warning

Romanian monthly inflation in October reached 6.5 per cent, almost twice the September figure. Analysts in Bucharest say that the rising prices may push the government to implement another round of highly unpopular austerity measures.

The inflation figures are the result of events in the summer, when in the face of widespread workers' protests the government agreed to index wages and give generous compensation packages to unemployed miners.

Recent increases in energy prices mean that November inflation is considered unlikely to be significantly lower than the October level.

The news will strengthen the hand of President Emil Constantinescu, who is pressing for a cabinet reshuffle in order to speed up reforms. *Anatol Lieven, Budapest*

■ MARITIME DEAL

Fishing dispute settled

Norway, Greenland and Iceland yesterday settled a long-running dispute over maritime boundaries in an area of the North Atlantic.

The Norwegian foreign ministry said the three nations signed a deal fixing territorial waters in a 1,934 sq km patch of Arctic waters rich in fish.

The zone was excluded from a deal ordered by the International Court of Justice in the Hague in 1993 to end a 13-year dispute between Norway and Denmark over a neighbouring 64,000 sq km.

Norway, Greenland and Iceland held talks this autumn to work out a final deal in the area, which lies between the Arctic Norwegian island of Jan Mayen, Greenland and Iceland. *Reuters, Oslo*

■ EU AND TURKEY

Ankara to attend conference

Turkey gave a grudging welcome yesterday to Monday's decision by European Union foreign ministers to include it in a proposed European Conference bringing together all the EU's prospective applicants.

Foreign ministers agreed in principle that Turkey would participate in the conference after Germany withdrew its objections. Bonn is anxious not to give Ankara any indication that EU consideration of its longstanding membership application is now imminent.

The European Commission has twice rejected Turkish applications, citing its size, poverty, economic and political instability as well as human rights violations. *John Barham, Ankara*

Croatia, Yugoslavia reopen strategic rail link across war line

By Guy Dinmore in Belgrade

Croatia and Yugoslavia yesterday moved a step closer to normalising relations when they reopened rail links broken by the onset of war in 1991.

The first train to cross the border, which is still littered with landmines, left Vinkovci in eastern Croatia and travelled 40 km to Sid, just inside the republic of Serbia.

The line, part of the Zagreb-Belgrade railway, was formerly the busiest route linking southeast Europe to the Balkans. Direct links between the two capitals are scheduled to resume next year. Meanwhile, passengers and freight have to change trains twice at the border towns.

Air links between Croatia and Yugoslavia are still closed and there is little road traffic.

Officials estimate Croatia would earn $300m a year if transport links to Yugoslavia were fully resumed. But while Zagreb has its sights fixed firmly westwards towards economic integration with Europe, landlocked Serbia has more to gain from access to ports and oil and gas pipelines on Croatia's Adriatic coast.

Progress has been slow on implementing an agreement to normalise relations signed in August last year. Major sticking points are Croatia's demands for war reparations, missing persons and a dispute over control of the Prevlaka peninsula on the border of Croatia and Montenegro, the only republic to have remained in Yugoslavia with Serbia.

Tensions are rising between Roman Catholic Croats and Orthodox Serbs in the Croatian region of Eastern Slavonia, which will pass to Zagreb's full control on January 15 when the mandate of a UN transitional administration expires.

Eastern Slavonia, on the border with Serbia, saw some of the worst fighting between Croat forces and the former Yugoslav army after Croatia declared independence in 1991.

Diplomats said Serbs were suspected of exploding several hand grenades in the town of Vukovar in recent days. Several thousand of an estimated 100,000 ethnic Serbs in Eastern Slavonia are expected to cross into Yugoslavia when Croatian rule is restored. Refugee agencies fear a greater exodus if relations between the two communities deteriorate further.

This week Serbs took their children out of schools in Eastern Slavonia in protest against the introduction of Croatian textbooks.

Mary McAleese (centre) after being sworn in as president of the Irish Republic yesterday. On her left is her predecessor, Mary Robinson, now UN commissioner for human rights, and on the left of the group is Bertie Ahern, the Irish prime minister.

The ceremony in Dublin Castle was watched by British and Irish government ministers, the leader of Sinn Féin, diplomats, church leaders and 600 children from schools on both sides of the border.

Ms McAleese, who was born in Belfast, invited the children as a sign of her intent to build bridges with Northern Ireland during her term in office. Gerry Adams, Sinn Féin leader, now firmly part of the Northern Ireland political scene, was invited with heads of other parties from Northern Ireland.

Czech securities watchdog approved

By Robert Anderson in Prague

The Czech lower chamber of parliament yesterday finally approved creation of a securities exchange commission, in reaction to a series of investment fund frauds that have tarnished the stock market's image.

Together with plans to compel banks and investment funds to cut their shareholdings in industry, the measure could reverse $145m of net outflows of foreign portfolio investment from the Czech market for the first half of this year.

The centre-right government accepted the need for an independent watchdog in April after fraud at two investment funds, which revealed a lax system of Ministry of Finance supervision and only sluggish enforcement through commercial courts.

The independent watchdog, whose members will be appointed by the president and nominated by the finance minister, will have the power to revoke licences, halt transactions and fine participants up to Kc100m ($3m).

However, the proposal has been held up and scaled down in parliament. The commission, which is expected to start work in February, will not be able to issue its own regulations but will have to go through the Ministry of Finance. It will also be financed from the state budget rather than by market participants.

Mr Tomas Jezek, head of the stock exchange, said the commission was less flexible than he had hoped. "I am not happy but it can still work," he said.

Martin Nejedly of the brokers Wood & Co said: "This will certainly help in improving the image of the market but it will take time for investors to change their sentiment. They will want to see how it will work in practice."

State TV row jams Italy's political airwaves

The political conflicts inside Rai, Italy's state broadcasting system, have traditionally out-performed the most popular soap operas on the country's television. But in the last few days, the psychodrama has reached a new climax, all because of one little word.

During Italy's political convulsions last month, Maurizio Mannoni, a presenter on TG3, the news programme on Rai's third channel, called the crisis "absurd".

In the resulting outcry, MPs across the political spectrum have slammed Rai for its alleged pro-government bias, and the management of the network has once again become one of the country's most burning issues. But the pressures are also building for a thorough modernisation which would leave behind Rai's traditional role, in which even chauffeurs and doormen are appointed through political patronage.

In response to Mr Mannoni's verbal slip, Rai was censured last week for political bias by the parliamentary commission in charge of the state broadcasting sector.

The censure provoked a new split in the government's fragile parliamentary majority, with the Greens and the Reconstructed Communism party, which precipitated the political crisis over welfare reform in the first place, voting to condemn the state networks.

The two parties, which both support the governing majority, complained that Rai's news coverage was partisan and echoed the views of the PDS, the former Communist party which is now the largest party in the governing coalition.

The right-wing opposition, led by Silvio Berlusconi – who also controls the three main private television channels – also voted in favour of the censure motion.

The right has since called for the resignation of Enzo Siciliano, the Rai chairman, who is close to the PDS. But, backed by his political patrons, Mr Siciliano has seen no reason to step down. Massimo D'Alema, the PDS leader, described the censure as an attack on the freedom of the press and renewed a call for a radical reform of the state broadcasting system.

Mr D'Alema also called for RAI's chief executive to be an independent figure with significant powers, which might seem a conciliatory step. But the opposition parties and the smaller parties within the government fear that such an appointee would inevitably be in thrall to the PDS.

There have been plenty of rows in the past over the political manipulation of television networks, whether private or public. The difference today is that the rapid changes sweeping the television and telecommunications industries and growing public disenchantment with the quality of Italian television are putting pressure on the political parties to overhaul the entire system.

> Audiences have tired of the standard mix of variety shows and interminable political chat shows where compères act like obsequious major-domos

Italians are watching less and less television. In the first nine months of this year, there was a 3.6 per cent fall in prime time television viewing. Over the past two years, the networks have lost 1.5m viewers. Audiences have tired of the standard mix of variety shows and interminable political chat shows where compères act like obsequious major-domos.

The decline in audience could not come at a more delicate time. Italy's traditional terrestrial networks are already bracing up for the challenges of digital television and satellite broadcasting. In recent weeks, Italian broadcasters and France's Canal Plus have reached agreement on a common digital platform to supply pay-television. New legislation was also recently passed to prevent any single network controlling more than 20 per cent of Italian television broadcasting and no more than 30 per cent of total revenues including advertising and licence fees.

The government is soon to set up a new regulatory authority to establish how long the Rai network can continue to sell advertising on its three channels. Ultimately, Rai, which also is funded by licence fees, will only be able to tap the advertising market for two of its channels.

This is bound to force the organisation to adopt a more business-like approach to managing its interests, especially if the government is sincere in its longer-term commitment to privatise the state broadcasting network. Other change is likely to follow.

Under the current system, jobs in Rai are apportioned according to the political weight of the respective political parties to ensure that all these parties are represented fairly in the state network. Unsurprisingly, questions have been raised over the journalistic independence of the channels.

The end result, even the political parties agree, is becoming more and more awful. However, as the political temperature increase, the necessary consensus to reform the system still seems far off.

Italy's absurd television soap opera is likely to run and run.

Paul Betts

NEWS: INTERNATIONAL

S African business faces apartheid past

By Roger Matthews in Johannesburg

Archbishop Desmond Tutu yesterday urged South Africa's white business community to take some responsibility for the apartheid system and consider offering financial help to those who had suffered most.

Archbishop Tutu, who heads the Truth and Reconciliation Commission, which is investigating gross human rights abuses committed under apartheid, strongly criticised three multinational oil companies – Shell, BP and Mobil.

Their failure to contribute to the work of the commission was a "glaring and blatant omission" from organisations which appeared to have given the most obvious support to the apartheid system, he said at the beginning of a three-day hearing into the role of business.

"We are aware that some people in the business sector protested, but very many appeared to have positively co-operated with the apartheid system," said the archbishop. "We are not here to pillory or ridicule anyone, but to hear your story. It would be wonderful to hear someone saying 'we were responsible for this, or that'.

"It would also have a dramatic effect if representatives of the business giants would say they wished to donate, say, R10m ($2.07m) to the President's fund, which seeks to aid the victims. It would go a long way to showing you want to be part of the healing process," he told businessmen.

So far, the archbishop and his fellow commissioners have been disappointed by the response of the private sector, but there were apologies from one public corporation yesterday.

Eskom, the state-owned power supplier, admitted it had been discriminatory and had done nothing to improve the plight of blacks. "Eskom wishes to apologise to all South Africans, that it did not take active steps to facilitate the demise of apartheid and racial discrimination," the company said in evidence.

This was the response sought by one witness, Sampie Terreblanche, an Afrikaner and professor of economics at Stellenbosch university. He sought to show that white political dominance and "racial capitalism" were two sides of the same coin. "Between 1910 and 1994 white politicians and white business people were hand in glove with each other to protect their mutual interests," he said. "On the one hand it aimed to maintain the structures of white power, privilege and wealth, and on the other hand the structures of black deprivation, discrimination, exploitation and poverty."

Professor Terreblanche claimed several corporations "grew spectacularly rich due to lucrative favours and inside information received from the government of the National Party." He proposed that a wealth tax be levied for the next 20 years on those with assets worth more than R2m.

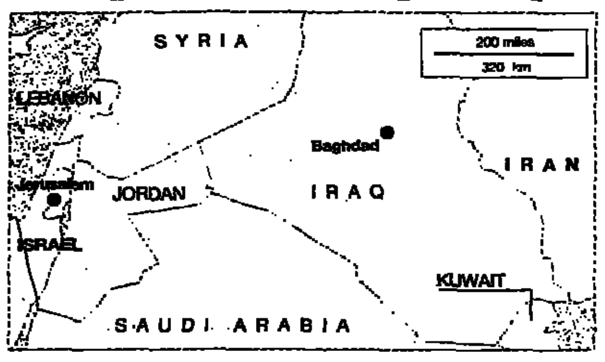
Gerhard Niekerk, managing director of Old Mutual, South Africa's biggest life assurer, said the one thing his organisation might be criticised for was not seeking a mandate from its members. "But no policyholders ever suggested we should take a stand against the apartheid system," he said. As for Old Mutual's investments in arms manufacturing companies, "this did not mean we ran them".

Iran's missile capability worries Israel

Israel's allies, unhappy with the peace process stalemate, fail to rally to its support

As tensions escalate between the US and Iraq, Israelis have been advised to check their gas masks, last worn in 1991 when Iraq fired Scud missiles at Israel.

But while Israel's defence ministry feels there is little reason to fear an Iraqi attack, government and media are focusing on a different threat – from Iran.



Israeli defence and foreign policy experts say Iran is developing non-conventional long-range missiles capable of reaching Israel.

This belief comes from Israeli and US intelligence officers who say Russia is supplying material to Tehran. If such deliveries are not stopped, they say Iran will have non-conventional long-range missile capacity within 18 months. Those missiles, says Uzi Arad, chief foreign policy adviser to Benjamin Netanyahu, the Israeli prime minister, will be aimed at Israel. "As far as I can tell, Russia is participating in Iran's missile programme. The implications are profound. Iran has regional ambitions."

Yevgeny Primakov, Russian foreign minister, failed to convince Israel during a recent trip to the region that Russia was not supplying Iran with non-conventional equipment. Since then, Israel has continued to lobby Washington, particularly Congress, to pressure Russia to halt any deliveries, and if necessary, impose sanctions on Russian industries involved with Iran.

President Clinton is reluctant to impose sanctions at the risk of damaging Russia-US relations. He is also reluctant to risk a trade war with Europe following the $2bn deal between Gazprom, the Russian gas company, and Total, the French energy group, to develop a gas field in Iran.

Behind the scenes, Israel is lobbying hard to convince other countries, particularly the Europeans, to forge a united policy towards Iran. But Israel is finding it difficult to rally firm support from Russia, the EU and its immediate Arab neighbours – themselves fearful of radical Islam.

Russia, strapped for cash, wants to re-establish its influence, whether with Iran or in the Middle East. The EU is increasingly frustrated with Israel's hardline stance towards the Palestinians. And closer to home, Israel's Arab neighbours feel betrayed by the collapse of the peace process.

According to Ephraim Sneh, defence expert in the opposition Labour party, the Netanyahu government's policies towards the peace process are undoing the strategic alliances Labour established with the Arab world during the 1990s.

"Peace with the Palestinians was the clue to a different regional equation," explained Mr Sneh. For Labour, attempts to achieve a peace agreement with the Palestinians was crucial for what Mr Sneh calls "a new alliance configuration" against Iran.

> 'The strategic alliances Labour established with the Arab world are being dismantled because Netanyahu does not understand the wider implication of relations with the Palestinians'

"The inner core would consist of Egypt, Jordan, Israel and the Palestinian Authority," said Mr Sneh. "The periphery would include Turkey, the Gulf States and the Maghreb. Under Netanyahu, this configuration is being dismantled because he does not understand the wider regional implications of relations with the Palestinians."

But unlike Labour, which considered Iran to be Israel's number one enemy, the Netanyahu right-wing government, until recently, was not so convinced. After winning elections 18 months ago, it established a high level inter-agency committee, which included the intelligence services, to review Israel's Iranian policy. "We were guided by pragmatism," said Mr Arad.

In what may have been a gesture following the election of Mohammad Khatami as Iranian president last May, Israel stopped propaganda broadcasts transmitted from Amos, an Israeli commercial satellite. "When we discovered it was the Mujahedeen [Islamic Left guerrillas behind these broadcasts, we pulled the plug," explained Mr Arad.

At the same time, despite opposition from the defence ministry, Ariel Sharon, the hardline infrastructure minister, began exploring ways to discuss the $650m owed by Israel to Iran for oil deliveries made before the 1979 Iranian revolution.

But in recent weeks, the government has reverted to Labour rhetoric, convinced Mr Khatami has done little to change the direction of Iranian foreign policy. "Iran remains just as hostile to Israel and to the peace process as before," said a senior defence official. "It continues to train and arm the Hizbollah in south Lebanon. It is developing non-conventional weaponry."

Israel has lost the support of even its moderate Arab neighbours. Even though they loathe the Islamic fundamentalists, they deeply distrust Mr Netanyahu. The defence official admitted Mr Netanyahu's attitude towards the peace process and what appears to be his contempt for the Arab world, plays into the hands of Islamic fundamentalists. "They seek division. With little prospects of peace, they tap the disappointment among what were some of our closest Arab allies."

Senior Israeli officials, meanwhile, believe they have little choice but to keep up the pressure on as many countries as possible, telling them not to underestimate Iran's regional ambitions. "If we fail to convince our friends in the face of this non-conventional threat, Israel would have to have an effective deterrent," said Mr Arad. That deterrent, the nuclear one, already exists.

Judy Dempsey

Chip industry gears up to spend

By Paul Taylor

The world's semiconductor industry is gearing up for a substantial increase in capital spending over the next few years, figures released yesterday by Semiconductor Equipment & Materials International (Semi), the industry association, show.

Elizabeth Schumann, Semi's senior market analyst, told an industry audience in Munich yesterday that annual capital equipment spending would grow from about $28bn this year to about $45bn in the year 2000.

The strongest growth – 22 per cent – is expected between 1999 and 2000 as new manufacturing processes come on stream. Ms Schumann's forecasts, based on a survey of 90 Semi members, reflected the transition over the next few years to larger 300m silicon wafers and 0.18 micron chip designs.

Both steps will increase chip makers' output, but will involve hefty investment in new plant and equipment, including wafer processing machinery.

"We expect the 300mm fabs [semiconductor manufacturing facilities] to go in at the same time as the move from 0.25 micron to 0.18 micron designs," she said.

The industry expects to be boosted by a recovery in semiconductor sales with double digit growth rates each year, beginning with an 11 per cent gain in 1998 and reaching $232bn in 2000.

Ms Schumann acknowledged "mixed signals" about semiconductor making capacity, with some evidence of increasing capacity utilisation offset by continuing weakness in memory chip prices.

Despite this, she said 43 new fabs, with a capacity of nearly 800,000 8-inch wafers a month, would be added next year.

Baghdad spurns UN arms appeal

By Laura Silber and Michael Littlejohns in New York

Iraq yesterday refused to reverse its order to expel American arms inspectors after fresh appeals from the United Nations Security Council.

Tariq Aziz, Iraq's deputy prime minister, said yesterday: "They are asking me to rescind our decision of October 29. . . but I have been telling them you are going to have to change the course of your work towards Iraq."

He said Baghdad insisted the UN respect its own resolutions, including a provision to lift sanctions once the UN disarmament Commission (Unscom) declared that Iraq had dismantled its weapons of mass destruction and their production facilities.

Mr Aziz accused Washington of hijacking the UN mission, in force since the end of the 1991 Gulf war. "Are you going to assure me that Unscom will act as a UN organ or continue to act as an organ whose end user is either the Pentagon, the CIA or the State Department in the US? I did not get any satisfactory answer to that," he said, after meeting with Qin Huasun, the Chinese president of the council.

The US and Britain yesterday were trying to win support for tougher measures against Iraq. A British spokesman said the "core elements" had been agreed in consultations among the five permanent Council members. They include condemnation of Iraqi interference with UN weapons monitoring, and an overseas travel ban on officials obstructing the UN mission.

Despite opposition among most Council members to military action against Baghdad, William Cohen, US defence secretary, reiterated the US contention that there was "inherent authority" under existing UN resolutions for a military response.

NEWS: WORLD TRADE

Azeri consortium rolls out the barrels

Caspian Sea – world's next big oil region – came on stream this week, writes Selina Williams

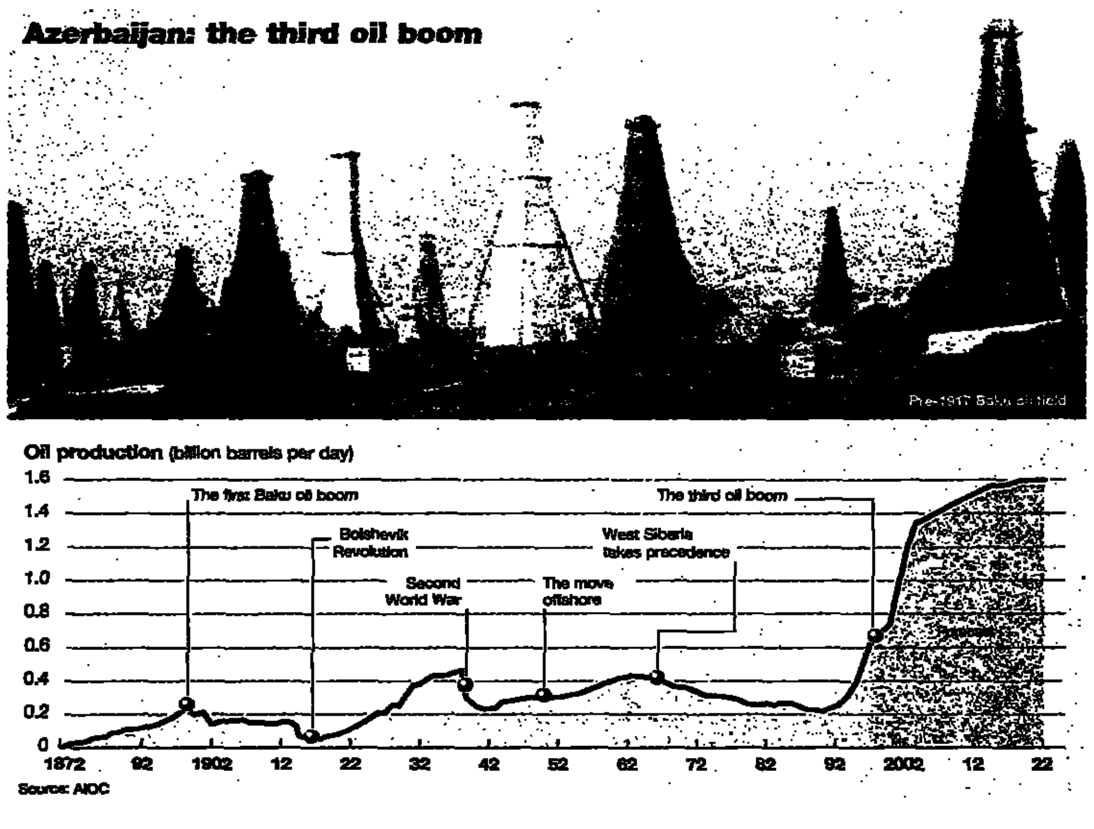
Azerbaijan's first foreign oil consortium is throwing a party this week to celebrate the first barrels from their Caspian Sea fields – and signalling to other investors it is possible to do business in the former Soviet republic.

The first output comes three years after an $8bn deal was signed between the Azerbaijan International Operating Company (AIOC) – an international consortium including British Petroleum, Amoco, Exxon and Lukoil – and the Azerbaijani government, to develop offshore fields in their sector of the Caspian Sea, which contains an estimated 4bn barrels of oil.

The oil started to flow last week, 48 years after the first offshore oil was extracted from the Caspian.

"When the contract was signed, there were so many uncertainties and potential problems, including the status of the Caspian," said Tevfik Yaprak, World Bank representative in Baku. "But now only three years later we see oil coming out of the Caspian and it indicates the progress and development of the whole oil project here."

Azerbaijan: the third oil boom



Source: AIOC

Despite Russia's insistence that the Caspian is a lake and not a sea and profits should be divided between the five states that surround it, a recent spat between Turkmenistan and Azerbaijan over development of an offshore field undermined Russia's position as Turkmenistan was disputing the median line in the sea, not whether there was one.

AIOC – which has already spent $1bn on platform renovation, an onshore terminal to receive the oil and an underwater pipeline to the terminal – is not only relieved to have struck oil on schedule, but satisfied the northern export route, which will take the oil out of this landlocked region from mid-January, seems to be functioning as planned.

After months of tricky negotiations between Russia and Chechnya over transit tariffs and repair costs were finalised, Azerbaijan's state oil company sent its crude through the northern pipeline route on October 25 to Russia's Black Sea port of Novorossiisk. For the first time, crude from independent Azerbaijan began its journey to world markets.

Azerbaijanis are not newcomers to the oil game, but it is the first time they and not Moscow are in control. Previous oil exports at the turn of the century were made under contracts with the Russian Empire when Azerbaijan was a colony.

After the Russian Revolution, the Bolsheviks quickly recognised Baku's enormous potential and by 1920 the Red Army had secured control of Azerbaijan's oil and cut the supply lines to the west. During the second world war, Azerbaijan supplied 75 per cent of the Soviet Union's oil.

"We've shown that we can perform here as a foreign entity and we now have tangible proof that oil can be exported," said Igor Effimoff, president of Pennzoil which has 4.8 per cent of AIOC and a 30 per cent share in a second consortium formed in 1995.

Eight other consortia, five of which signed deals in the past nine months and which include major players such as Chevron, Mobil and Total, are in the exploratory phase of work and have pledged to invest $22bn.

Experts estimate the Caspian Basin could hold more than 100bn barrels, placing the region close to the Middle East and Russia in output. Azerbaijan's peak production by 2022 is expected to reach 1.6m barrels a day, making competition stiff for the biggest prize of all to be decided next year – the main export route.

Georgia, Russia and Turkey are locked in a battle to win the pipeline that will handle AIOC's peak production of 800,000 barrels a day in five years' time and quite likely handle some portion of oil from other Caspian littoral states such as Kazakhstan and Turkmenistan.

But pipeline decisions are complicated in such a volatile region where any line would have to traverse an area of previous or potential conflict and where the shortest and cheapest route is not necessarily the best.

Armenia and Iran are both excluded for political reasons. This leaves the Turkish route, which though the longest and costliest, could be more practical because it will terminate at Ceyhan in the south, where there is a big market for oil in the energy-hungry Mediterranean.

Turkey has objected to more tankers going through the Bosphorus, making the cheaper alternatives of pumping the oil through Georgia or Russia to the Black Sea less likely.

"This project has been a real catalyst for change," said Terence Adams, AIOC president. "The direction is now set for Baku to become the centre of the Caspian for oil export, as well as development and production."

Branson to tell EU of 'illegal' BA practices

By Emma Tucker in Brussels

Richard Branson, founder of Virgin Atantic, is today expected to tell EU competition officials and representatives of the member states that sales techniques used by British Airways are anti-competitive, exclusionary and illegal under EU law.

Mr Branson will be in Brussels for an official hearing into a complaint by the Virgin airline that the discounts BA offers corporate customers and the commissions it pays to travel agents are an abuse of BA's dominant market position.

A preliminary analysis by the Commission's competition services said the discounts systems appeared to be in breach of Article 86 of the Treaty of Rome which covers abuses of a dominant position.

However, BA will endeavour to show the Commission that its discounting policies are standard practice, not just by airlines but by other services too, such as car rental companies. It will further argue that it does not impose its discounting policies on travel agents and corporate clients, but rather is responding to demand.

"Even if a travel agent or a corporation does have an agreement with an airline, it in no way means that they can't purchase their travel from another airline," said BA.

Virgin maintains that BA unfairly persuades companies to use its services by offering a combination of discounts for different routes. Companies whose staff travel to destinations on which BA has little or no competition – such as to South America – are told they can receive additional discounts if they also use the airline to fly on routes served by many carriers such as across the north Atlantic.

Virgin says BA's arguments that all airlines pursue similar discounting policies does not make the practice right. It believes discounts should be offered on a route by route basis, rather than packaged together. That way, it could compete directly on transatlantic flights.

Virgin has also objected to the commission structure that BA has set up for travel agents. It alleges that travel agents who reach a certain target of BA ticket sales receive extra commission.

If the Commission upholds Virgin's complaint, it would be entitled to fine BA up to 10 per cent of the airline's worldwide turnover.

Malaysia pressed on key offer in WTO talks

By Frances Williams in Geneva

The world's leading trading powers were yesterday involved in intensive negotiations with Malaysia in an attempt to improve the terms on which it will guarantee existing foreign investments in the financial services sector.

The talks delayed the formal submission of Malaysia's offer in World Trade Organisation negotiations to liberalise global banking, insurance and securities markets, due to conclude on December 12. Senior trade diplomats meet today to take stock of the negotiations.

Trade officials said Malaysia's stance in the financial services talks was considered pivotal. Its approach is expected to influence other important emerging economies in east Asia and Latin America that have yet to submit offers, many of which like Malaysia have been hit by recent currency turbulence.

"This is the offer everyone has been waiting for," a senior trade official said yesterday. Indonesia, the Philippines and Brazil have also promised offers this week.

Malaysia circulated its draft market-opening proposals on Monday to the US, European Union and other trading partners. Among other provisions, these would raise the limit on foreign shareholdings in Malaysian insurance companies from 49 to 51 per cent.

However, under the policy of "Malaysianisation", foreign insurers such as AIG, the US insurance giant, would still have to reduce bigger stakes acquired in the past to 51 per cent. This requirement is opposed by western trading nations which want full guarantees for existing investments.

Malaysia, like most other east Asian countries, operates tough restrictions on new foreign entrants and shows no inclination to relax them, especially in the context of the region's financial crisis. Protection of existing investments, known in WTO jargon as "grandfathering", has thus become a priority for trading partners.

Trade diplomats said yesterday that despite its shortcomings the presentation of Malaysia's draft offer was itself a step forward in the WTO negotiations. Similarly, Canada's revised offer earlier this week to allow foreign banks to set up branches, though expected, was another move adding momentum to the talks.

The US and EU are nevertheless encountering problems in persuading Japan to guarantee in the WTO aspects of its bilateral insurance deal with Washington. Tokyo maintains that these additional commitments are unnecessary since they do not affect access to Japan's financial services market.

Net tightens on internet pirates

By Alice Rawsthorn

The world's record companies have agreed to finance the creation of a London-based digital detection unit which will scour the internet for copyright abuses. A similar service already exists in the US, operating from the Washington headquarters of the Recording Industry Association of America.

As internet use has increased in other countries, the national music industries have become increasingly concerned about the growth of digital piracy. The International Federation of the Phonographic Industry (IFPI), the London-based organisation that represents record companies worldwide, has asked its members for funds to set up and operate the detection service.

Mahathir in pledge to build oil pipe

By James Kynge in Kuala Lumpur

Mahathir Mohamad, Malaysia's prime minister, yesterday brushed aside concerns over a domestic financial crisis and said Kuala Lumpur would push ahead next year with a M$10bn ($3bn) scheme to build a pipeline, a highway and rail link from a port in north west Malaysia to one in south eastern Thailand.

The project would provide a more direct route between the middle east and Japan for oil tankers which currently must navigate through the congested and sometimes hazardous Strait of Malacca to Singapore.

Dr Mahathir defended the plan to go ahead with the so-called Malaysian-Thai "landbridge" despite warnings from economists that this may not be the time to embark on ambitious infrastructure projects with questionable returns.

The sharp depreciation of the ringgit and the stock market's plunge since early July are hitting most parts of the economy.

"We are not so poverty stricken that we cannot do anything at all," Dr Mahathir said. "If you stop things, then it is one sure way of creating a recession in this country..."

Malaysia has since July postponed many large infrastructure projects such as the M$13.6bn Bakun dam project in Borneo in order to convince financial markets that Kuala Lumpur was serious about narrowing its current account deficit. Spending on imports for such projects was seen as one of the main reasons why Malaysia was running trade and current account deficits.

The Malaysian-Thai "landbridge" could take considerable freight business away from Singapore's port. The proposed 190km pipeline across the Kra isthmus from Alor Setar in Malaysia to Sai Buri in Thailand would be capable of handling 2m barrels of oil a day, about a fifth of the volume shipped through the Malacca Strait.

The main companies involved in the project are Chiyoda Corporation, the Japanese engineering company, East West Bridge, a Malaysian company, and Sri Uthong, a Thai company. Bernama, Malaysia's national news agency, said that a fourth company, Indonesia's Latief Group, was also involved. There was no breakdown of their respective stakes in the consortium.

● Malaysia's support for financial liberalisation under the World Trade Organisation has been damaged by east Asia's currency turmoil, Dr Mahathir said. "We are now a bit leery of this deregulation and liberalisation because we see these being implemented ... in the interests of the bigger economies," he said. His comments support the view that although Malaysia has not officially dropped its intention to become the region's financial centre, the pace of planned reform is likely to slow.

Police widen gangster probe

By Michiyo Nakamoto in Tokyo

Japan's corporate racketeering scandal widened yesterday when police arrested officials at Toshiba and Mitsubishi Electric.

Police later searched offices of the two multinational manufacturers. The action follows the arrest last week of three executives at Mitsubishi Motors for their involvement in illegal payments to a racketeer group led by Terubo Tei.

Along with Mitsubishi Motors, Toshiba and Mitsubishi Electric claim the alleged payments to *sokaiya* were in fact legitimate fees for use of a summer house near Tokyo.

Toshiba has been singled out for criticism by police as it made direct cash payments to Mr Tei's group rather than bank transfer which would leave evidence.

Both companies are expected to face sanctions against their business from public institutions reducing orders for telecoms infrastructure equipment, participation in sewer construction projects and power plant construction.

The more enduring injury, however, could be from the impact in their image.

Mitsubishi Motors acknowledged the bad publicity from earlier arrests had hurt business at a time when the Tokyo Motor Show was expected to lift demand.

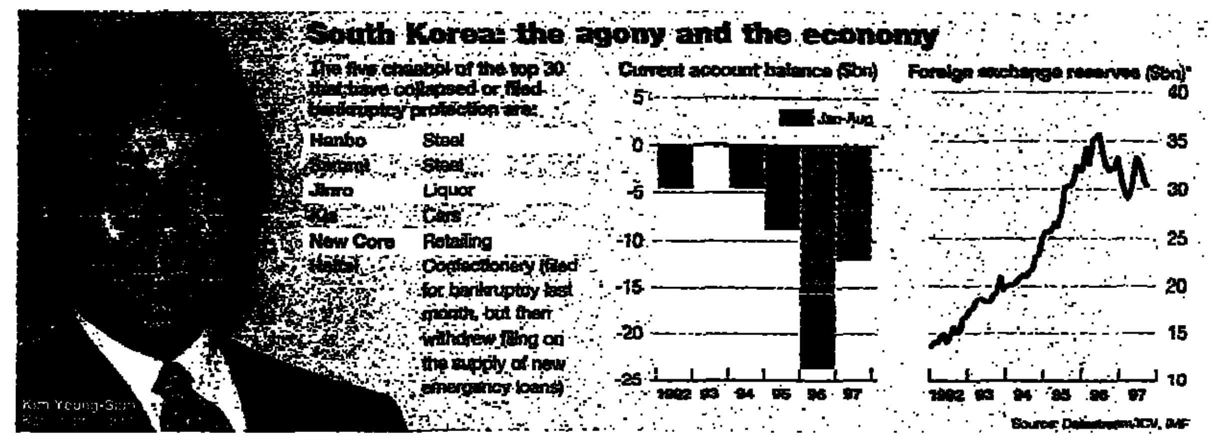
The latest development comes days after the Keidanren, Japan's largest business federation, convened an extraordinary meeting aimed at confirming the business community's commitment to severing ties with *sokaiya*.

Yesterday's arrests follow admissions by Hitachi, Japan's largest integrated electric machinery maker, Mitsubishi Estate, Japan's pre-eminent real estate company, and Dai NipponPrinting, one of the country's largest chemicals companies, of payments to companies linked to corporate racketeers.

The developments significantly broaden the reach of the *sokaiya* scandal, which had previously embraced only finance groups.

Korean currency slide shakes economy

By John Burton in Seoul



Economists are counting the costs as the South Korean currency, the won, accelerates its slide against the US dollar.

The impact will be largely negative, with higher inflation and interest rates, increased foreign debt costs, and a slumping stock market. The only positive news is that the weaker currency will narrow Korea's current account deficit – $23.7bn last year.

The economic problems could worsen a banking crisis some analysts speculate will force Korea to seek help from the International Monetary Fund.

The won's woes can be traced to an economic slowdown that triggered a series of bankruptcies this year among highly-leveraged conglomerates unable to service their large debts.

This caused credit downgrades for main banks with heavy exposure to failed industrial groups. Korean companies began hoarding dollars in expectation of higher overseas borrowing costs as cautious banks cut back on lending. The won has plunged nearly 18 per cent this year as a result.

The currency devaluation has caused a sharp fall in the Seoul bourse to a five-year low as overseas investors, worried about foreign exchange losses, leave the market. Interest rates have jumped in response, the benchmark three-year corporate bond yield climbing to 12.9 per cent.

Interest rates are likely to be kept high by inflationary pressures because the currency devaluation will raise the cost of fuel and capital goods, which account for nearly 90 per cent of imports.

The state-run Korea Development Institute says that if the won remains close to 1,000 to the dollar, inflation could rise to at least 6 per cent from its current 4.2 per cent.

Net foreign exchange losses on overseas debt this year are expected to increase to at least $4bn, which will hit the estimated 1997 net earnings of more than 500 listed companies, according to the Korea Listed Company Association. They reported a combined first-half profit of $2.3bn before the currency weakened.

The combination of higher debts costs and credit downgrades has undermined the banking system, which has non-performing loans conservatively estimated at $20bn from a string of bankruptcies. Most commercial bank loans are collateralised, but this is not the case for secondary financial institutions.

This has prompted speculation in international capital markets that South Korea might be forced to ask the IMF for a rescue of the financial sector following similar bail-outs in Thailand and Indonesia.

Some analysts believe such a step is not likely in the near term. "It's a question of national pride. The economy will have to deteriorate much further for the Koreans to make a IMF request," said Henry Morris, managing director for Coryo Securities.

Finance ministry officials in Seoul express confidence Korea will soon be able to halt the currency slide. Expectations that the government this week will announce a rescue of secondary financial institutions could ease worries about an imminent banking crisis.

The government also expects pressure on the won will ease as the current account deficit shrinks this year to 3 per cent of gross domestic product, against nearly 5 per cent last year, as import growth slows.

Uhm Tak-yong, deputy finance minister, said foreign-currency reserves of $30.5bn were not at a worrying level despite being slightly less than the three-month import cover recommended by the IMF. If prudently used, they "are more than sufficient" to defend the won.

Also, Korea can call on another $30bn in foreign currency deposits at domestic financial institutions, central bank officials say.

Officials dismiss speculation that Korea's foreign currency reserves have been depleted by as much as $15bn by selling dollar forward contracts to support the won.

Currency traders in Singapore estimate that the Korean central bank has spent only $3bn-$4bn in the non-deliverable forwards market.

Daily trading volume in the won has been light at up to $500m, only a tenth of the amount traded in the Thai baht and Indonesian rupiah. One reason is that the won is not fully convertible, which limits its supply to foreign speculators.

Still, Korea remains vulnerable to a currency crisis if foreign banks, worried about the banking sector, refuse to roll over short-term debt, which accounts for nearly 60 per cent of Korea's total overseas debt of $110bn.

"I haven't detected many signs yet of foreign banks refusing to roll over short-term lending to Korean banks, but people are definitely nervous," said one UK banker.

"The problem is that most credit committees have suddenly woken up to Korea's economic problems and they could still panic. Their fears could become a self-fulfilling prophecy."

European banks held $32.2bn in Korean debt, and the Japanese $24.3bn at the end of 1996, according to the Bank for International Settlements.

"The markets are over-reacting to Korea, which reflects the low foreign confidence in Korea due to the non-transparency of its financial system. This makes investors suspicious about the extent of its problems," said one London-based institutional investor.

Analysts expect any IMF rescue, which could cost $30bn-$40bn, to include a wider opening of Korea's debt and equities to foreign investors, adoption of a liberalised exchange rate system, and the closure of secondary financial institutions, as part of a restructuring of the banking sector.

The measures are expected to encourage large capital inflows into Korea, which would lead to an appreciation of the won, now considered under-valued. But recent events have left Korean officials suspicious about the merits of full-scale financial liberalisation.

Stock markets, Page 31

Global markets can see a lot to worry about

By Simon Kuper

If you thought the south-east Asian crisis had hit global markets, just wait and see what the South Korean crisis does.

That is the message from market economists watching the slide of Korea's currency and its stock market. They point out that Korean output is worth about $500bn a year, or roughly as much as all the stricken south-east Asian economies put together. Korea is the world's sixth largest trading nation, and holds large amounts of emerging market bonds. Any crisis there could have a long reach.

Economists say Japan could be the main victim. Its economy is already suffering from poor domestic demand and exports are expected to suffer from the Asian devaluations of this summer.

Japan sent 30 per cent of its exports to south-east Asia, and another 7 per cent to Korea. But the slide in the won could damage the Japanese economy more than the latter figure suggests.

Korea and Japan export many of the same goods, in particular cars and semiconductors. The won has lost 17 per cent of its value against the dollar so far this year.

Ravi Bulchandani, senior currency economist at Morgan Stanley in London, says the yen must fall from its present level of Y125 against the dollar to about Y135, to keep Japanese goods competitive.

A fall in the yen would be expected to increase the US trade deficit. But Washington might have to swallow that, or watch the Japanese economy contract further, say currency strategists. The US sends 4.4 per cent of its exports to Korea. That is more, notes Jim O'Neill, chief currency economist at Goldman Sachs, than it sells to Brazil.

European exporters are less exposed to Korea. But European banks had lent $32.3bn to Korea at the end of last year, compared with just $24.3bn in Japanese loans, according to the Bank for International Settlements.

Then there are emerging markets. Korea has said it will not let the won weaken beyond 1,000 against the dollar. If this pledge fails, as most currency strategists think it will, that would exacerbate doubts about whether Hong Kong and Brazil can maintain their currency pegs against the dollar.

The world's leading economies may help fund an International Monetary Fund package for Korea, to stabilise its economy and stave off global contagion. But such a package could be expensive. Steve Jennions, emerging markets economist at Crédit Agricole Indosuez, said it would dwarf the $30bn-$40bn package for Indonesia – and be a "record breaker".

Rumour mill grinds down HK confidence

Government says bank sector is strong, but the fears of anxious savers could build up to trouble

Six months ago Hong Kong investors were queueing up to buy into a bundled-up medley of businesses hastily spun off by the Beijing municipal government. This week queues are again forming: to withdraw deposits from the territory's 17th biggest bank.

It is a measure of how swiftly the mood in ever-volatile Hong Kong has swung. In the final months of British rule, investors chased up the prices of red chips, mainland-backed companies that owed their popularity to an implicit promise of future asset injections rather than their existing value.

After China resumed sovereignty on July 1, the stock market continued its surge upwards, reaching a peak of 16,673 on August 7. Three months later, the benchmark Hang Seng Index is almost 40 per cent lower and some consider even bank deposits risky.

With confidence fragile, Hong Kong has become a breeding ground for rumours which no amount of official rhetoric can dispel, as demonstrated by this week's mini-run on the International Bank of Asia (IBA). On Monday and Tuesday, savers withdrew some HK$1.5bn (US$194m) of deposits.

So far, IBA appears to be an isolated case. While some 50 savers jostled in line at IBA's main branch yesterday, clutching withdrawal slips, the flagship branch of Dah Sing Financial was altogether quieter, boasting a line of just three.

But no one is ruling out the possibility that more runs will follow. "A run on one bank will have a tendency to spill over into other banks, and if there's a run on the small banks that's going to have a pretty serious impact on the overall sector," says John Mulcahy, managing director at Indosuez WI Carr in Hong Kong.

History bears him out. Bank runs have featured prominently at times of crises in confidence in Hong Kong: in 1983, when the currency was falling and the territory's post-colonial future had yet to be mapped out; during the banking crisis of 1986; and after the collapse of the BCCI in 1991.

If the mood is edgy, the banking sector itself is strong, as government officials have been quick to point out. Weak bank parents were weeded out after the 1986 crisis. Today, Hong Kong banks boast strong balance sheets and non-performing loans stand at just 0.8 per cent of advances.

Liquidity ratios are high: sufficient to pay out 40 per cent of all deposits straight away, according to Keith Irving, banking analyst at Merrill Lynch in Hong Kong. Capital adequacy ratios are also strong, at over 13 compared with the international minimum of eight.

There are, however, concerns – such as exposure to the property sector. Regulators advise this should account for no more than 40 per cent of loan portfolios, but for many banks the true proportion is closer to 50 per cent. Another concern is the higher cost of funding.

Interbank interest rates – the rate at which banks lend to each other – have risen sharply since October, reflecting the cost of defending the currency peg in the wake of currency devaluations throughout Asia.

For the banks, particularly the smaller institutions which lack the retail deposit base and rely heavily on the money markets for funds, this has resulted in squeezed margins as increases in prime lending rates have failed to keep pace.

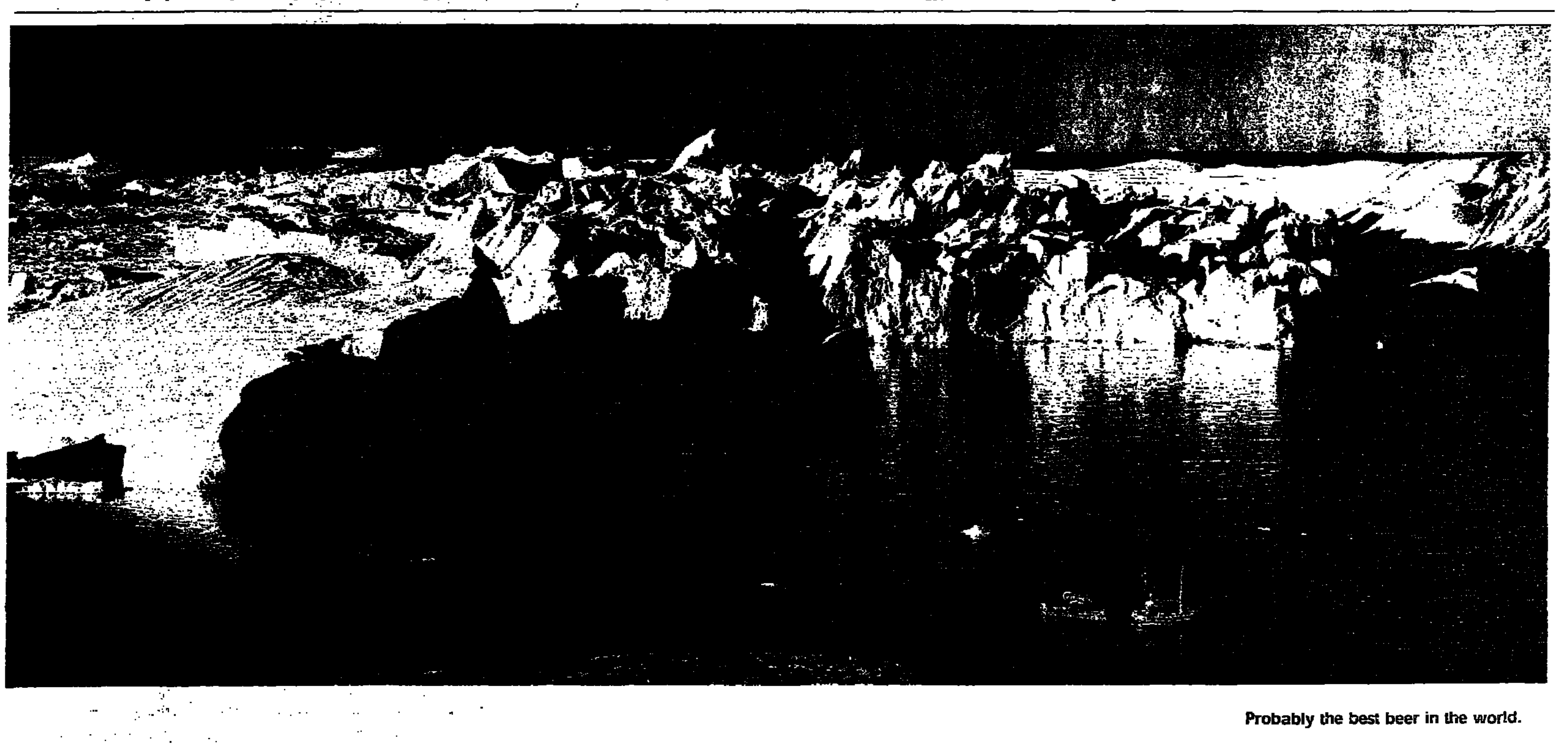
There are other concerns. Partly in a bid to reduce their reliance on property loans, the banks have increased their dealings with stockbrokers, supplying margin loans to retail investors.

In the third quarter, loans to stockbrokers accounted for less than 2 per cent of total loans. But in the same period, these loans made up one quarter of all new lending at a time when both the stock market and the property market had peaked.

Warning bells have sounded at Moody's, the US credit rating agency, which last month downgraded the outlook for the territory's banking sector and decided to review the strength of its two biggest banks.

But as with any confidence crunch in the tiny Special Administrative Region of China, US analysts' theses – like the assurances of their own government – could matter less than office gossip. "Given the environment we are in at the moment, and what appears to be a lack of confidence, it's not going to take much in the rumour mill to start [the runs] snowballing again," says Mr Irving.

Louise Lucas



Fed chiefs facing novel conundrum

When the Federal Reserve's open market committee meets today to consider US monetary policy in these turbulent economic times, they will have to figure out a novel conundrum.

Is the economy still threatened by the familiar menace of inflation, as labour markets continue to tighten and growth remains well above trend? Or is there now, in fact, a completely different threat – deflation, a period of falling prices as growth slows to a crawl and businesses are left with too much capacity, producing more than the market can buy?

The inflationists take, essentially, a backward looking view. In spite of all the forecasts to the contrary, they point out, the US economy stubbornly refuses to slow down. After growth of more than 4 per cent in the first half of the year, the economy expanded at a rate of 3.5 per cent in the third quarter – and that may well be revised upward.

The fourth quarter also seems to have begun at a fair clip; last week the Labour Department reported that unemployment in October fell to 4.7 per cent, the lowest level in 25 years, following job growth of 280,000 last month.

The US is experiencing "another quarter of unsustainable economic growth, the tightest labour market in decades, and increased upward pressure on wages as the reservoir of people available to work gets tapped out," says Allen Sinai, chief economist with consultants Primark Decision Economics.

A month ago Alan Greenspan, the Fed chairman, seemed to share this inflation-wary sentiment. In remarks before Congress he warned that the economy was on an unsustainable path, and gave a clear hint that the Fed would have to raise interest rates if it continued.

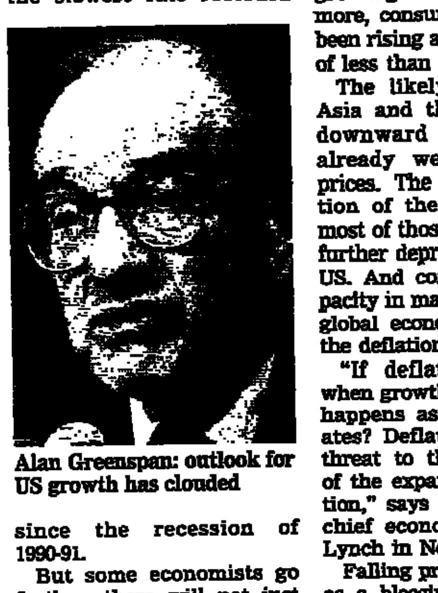
But in a month the views of many economists have changed radically. The financial turbulence of the last few weeks has reduced the probability of overheating and the Fed is now widely expected to leave interest rates unchanged today and next month. Some economists even argue that the next movement in rates will be downward as the economy heads into a slowdown. That could produce a period of falling prices.

There are two reasons to expect such a deceleration, argue the deflationists.

The first is the body check that has been delivered to the rampant stock market. Equity prices are now almost 10 per cent below their level of three months ago. That raises businesses' cost of capital and makes consumers feel less wealthy, both of which are likely to slow growth.

The second factor is the continuing financial turmoil in south-east Asia. Economists are busy lowering their forecasts for growth in the region, a decline that will hurt US exporters. Though the core south-east Asian countries so far worst affected by the crisis account for only 4 per cent of all US exports, the risk of broader contagion has clouded the outlook for US growth next year, as Mr Greenspan acknowledged in congressional testimony given after the turbulence late last month.

John Lipsky, chief economist at Chase Manhattan, a New York bank, says the combination of the two factors will cut growth next year to about 1.5 per cent, the slowest rate recorded



Alan Greenspan: outlook for US growth has clouded

since the recession of 1990-91.

But some economists go further: there will not just be a sharp slowdown in growth they argue – a familiar feature of the business cycle, and one arguably overdue in the US at present – the deceleration may actually result in a period of falling prices.

The special problem this time, they say, is that, even when the economy has been growing at 4 per cent or more, consumer prices have been rising at an annual rate of less than 2.5 per cent.

The likely slowdown in Asia and the US will put downward pressure on already weak commodity prices. The sharp appreciation of the dollar against most of those currencies will further depress prices in the US. And continuing overcapacity in many sectors of the global economy will add to the deflationary pressure.

"If deflation shows up when growth is robust, what happens as growth moderates? Deflation is a bigger threat to the sustainability of the expansion than inflation," says Bruce Steinberg, chief economist at Merrill Lynch in New York.

Falling prices may be seen as a blessing by some, but they pose the risk of a deflationary spiral.

All of this, say the deflationists, points to the need not for a tightening of policy by the Fed, but to a loosening. Inflation-adjusted interest rates – at more than 3 per cent – are already too high, they say.

But the deflationists' fears are almost certainly overdone. The effect on US demand from the small stock market correction so far seems likely to be minimal. And the danger some see from the Asian currency crisis is still predicated on a much broader extension of the problem – to the rest of Asia and Latin America – that has not yet occurred.

Furthermore, there are still clear signs of overheating in the domestic economy.

In short, the Fed is still more likely to be concerned that inflation remains the more credible threat. The tension between domestic inflation and external deflation may even be resolved in a way that is beneficial to the US economy – taking the economy off the inflationary boil, but ensuring it remains warm enough to continue to lead world economic growth.

Gerard Baker

Ortiz faces Mexican budget shoot-out

Guillermo Ortiz, Mexico's finance minister, set himself on a collision course with the opposition-controlled Congress yesterday by presenting a 1998 budget bill which includes no tax cuts.

Mexico's four opposition parties, in command of the Chamber of Deputies for the first time in seven decades, have vowed to introduce tax cuts in next year's budget. Proposals range from the lowering of value added tax from 15 to 12 per cent, to exempting 70 per cent of the labour force from paying income tax.

The opposition says its victory in last July's legislative elections gave Congress a popular mandate to challenge the austerity regime which has been in force since the collapse of the peso in December 1994.

"It is time to reorder the

'No tax cuts': Ortiz sticks to his line despite Congress

government's priorities," says Francisco José Paoli, a deputy of the conservative National Action party. "Tax cuts are feasible because Congress intends to put an end to the huge amount of inefficiency and waste in government spending."

The Chamber of Deputies has sole oversight over government expenditures, while the Senate, where the ruling Institutional Revolutionary party (PRI) retains a majority, must approve tax changes. The stage is therefore set for a potentially devastating impasse, as there are no provisions under Mexican law to allow the government to continue servicing its foreign debt, or pay civil servants, if there is no agreement by December 31.

Mr Ortiz yesterday said tax cuts in 1998 would endanger Mexico's newly-won economic stability. "Some of the opposition's proposals have become political banners," the finance minister said. "We hope to convince Congress that this is not the right moment to cut taxes."

The government's room for manoeuvre has been curtailed by the loss of more than \$5bn a year of tax revenues – more than two points of gross domestic product – since Mexico's financial crisis.

Although there has been some recovery in 1997, tax collection remains below pre-devaluation levels.

Mr Ortiz's proposed \$98bn budget foresees a widening of the fiscal deficit to 1.25 per cent of GDP in 1998, from 0.5 per cent this year, mainly as a result of the heavy cost of rescuing bankrupt domestic banks, failed toll road schemes, and the loss of social security contributions following the privatisation of pension schemes this year.

Economic growth is forecast at 5.2 per cent in 1998, compared with estimates of 6.5 per cent growth this year, while the government hopes to engineer a small drop in the annual rate of inflation, from 15.5 per cent in 1997 to 12 per cent in 1998.

The budget reaffirms the government's commitment to a floating exchange rate.

Exports are forecast to grow by 11.6 per cent in 1998, and account for more than 30 per cent of GDP for the first time in Mexican history. Imports, however, will outpace the growth in exports owing to the rapid expansion of the economy.

The current account deficit is forecast to widen to \$10.8bn, or 2.5 per cent of GDP, an amount which is expected to be covered by equal flows of foreign direct investment.

Private sector investment is forecast to rise by 17.4 per cent, while the government is also planning to resume investment in oil exploration, power generation and road building after three years of sharp cutbacks in capital expenditures.

Pemex, the state oil monopoly, has been allocated an investment budget of 73bn pesos (\$8.7bn) next year, 80 per cent more than in 1997. Lower international oil prices are expected to depress fiscal revenues to 21.3 per cent of GDP, from 22.6 per cent in 1997, as Pemex's earnings account for 37 per cent of total government income.

With the exception of tax cuts, Mr Ortiz said he had sought to accommodate many suggestions from opposition deputies in the 1998 budget.

Spending on poverty alleviation programmes will rise by 25 per cent in real terms in 1998 to benefit 1.5m Mexicans, against 400,000 this year.

Leslie Crawford

NEWS DIGEST

Brazil growth estimates cut

Economists yesterday slashed their 1998 estimates for economic growth in Brazil following Monday's announcement of a R\$20bn (US\$18.2bn) package of budget cuts and tax rises, however they stopped short of predicting a full-blown recession. The consensus among economists, who had already reduced their forecasts from 4 per cent after interest rates were doubled two weeks ago, is now for an increase in gross domestic product of between 0-2 per cent in 1998, an election year.

However they added that next-year's performance will depend heavily on how quickly the authorities are able to reduce base interest rates, which were increased to 43.4 per cent a year. "If interest rates stay very high for a number of months, then we could still have a recession," said Odair Abate, chief economist at Lloyds Bank in São Paulo. *Geoff Dyer, São Paulo*

■ MICROSOFT

Anti-trust charge rebutted

Microsoft has issued a rebuttal of the latest anti-trust charges brought against it, saying the US Justice Department is "interfering" in the design of its products and threatening its ability to bring innovative products to market. "The Department of Justice should be encouraging Microsoft to disseminate such new technologies as quickly and as broadly as possible," the software industry leader said in a statement filed on Monday.

Last month the department charged that Microsoft had violated terms of a 1995 anti-trust settlement by forcing personal computer manufacturers to licence the Microsoft internet browser programme, Internet Explorer, by tying it to licences of Windows 95, the most widely used PC operating system.

Microsoft was "unlawfully taking advantage of its Windows monopoly to protect and extend that monopoly" department officials alleged, saying they would seek fines of \$1m a day against the company. However, Microsoft, in its response, said the department's assertions were "baseless". *Louise Kehoe, San Francisco*

■ NEW YORK ART SALE

17 Picassos make \$165m

Pablo Picasso was confirmed in New York on Monday night as the most marketable of artists when Christie's sold 17 of his paintings for almost \$165m. The paintings had been acquired between 1940 and 1970 by the late Victor and Sally Ganz, whose family fortune was based on costume jewellery and toys. In all, the Ganz collection of 20th century art, consisting of 58 lots, bought in \$206.5m, the highest total for a single owner collection at auction. The sale far exceeded Christie's estimate of about \$130m.

Highest price was the \$48.4m paid by an anonymous bidder for "Le Rève". The Spanish artist painted this idiosyncratic portrait of his mistress, Marie-Térèse Walter, in 1932 and it is regarded as one of his greatest works. Victor Ganz bought it in 1946 for \$7,000.

Estimates for "Le Rêve" were in the \$30m range, but it made the second highest price paid for a Picasso at auction. More surprising were the exceptional prices paid for four canvases from Picasso's 1955 series of paintings "Les Femmes d'Alger". One of these made \$31.9m, compared with a top estimate of \$12m *Antony Thorncroft*

NEWS: UK

Minister pledges EU competitiveness drive

By David Wighton in Birmingham

Margaret Beckett, chief industry minister, yesterday pledged that the government would use its presidency of the European Union next year to launch a continent-wide campaign to improve industrial competitiveness.

Mrs Beckett told the Confederation of British Industry conference that she wanted business to be involved in her plans for the first debate on competitiveness within the EU council of industry ministers.

But she also used her first CBI speech since the Labour party's election victory in May to warn UK companies that they were lagging behind their international competitors in several important areas. The task faced by British business in catching up with the best in the world was "bigger than we thought", she said.

Analysis by the Department of Trade and Industry challenged the accepted wisdom that the UK's problem is a "long tail" of underperforming companies. "It suggested that the problem is that our performance across the whole spread of firms isn't as good as the performance of companies overseas. Our average isn't as good as their average."

She said the findings implied that it was not just the weakest companies that had to catch up. "It may be that all our firms need to benchmark themselves against the best in the world, not just in the UK, and that that applies to firms throughout the supply chain, even at the top."

The Benchmark for Business document, which analyses seven business sectors, demonstrates that the UK's best companies were among the very best in the world, Mrs Beckett said. "But our overall performance on several counts – innovation, skills, productivity – remains behind that of other developed countries."

As part of the government's competitiveness initiative, Mrs Beckett yesterday announced the formation of six new business-led groups to examine key areas of weakness. Ministers will chair five groups looking at innovation, adoption of best practice, exploiting information technology, developing a flexible highly-skilled workforce and the impact of the EU on competitiveness. Lord Hollick, the chairman of United News & Media and an adviser to Mrs Beckett, will head a final group focusing on investment.

CONFEDERATION OF BRITISH INDUSTRY

Poor levels of basic skills in schools are causing the UK to trail behind its economic competitors, Chris Woodhead, the government's chief inspector of schools, said at the CBI conference, Richard Wolffe writes. Germany and Japan had overtaken the UK's targets for reading levels for the year 2000, he said.

Mr Woodhead urged business leaders to work with the government and schools to tackle shortfalls in basic skills. In a survey of CBI members published this week school leavers were seen as having poor levels of practical numeracy and communication skills.

Stalls are set out for single currency

Some retailers begin to look at the practical side of dealing with the euro

For retailers, a single European currency will mean big changes in the products they offer, the prices they charge and the way they present themselves to consumers.

Already UK retailers have begun lobbying the European Commission about issues such as the target date for the launch of the euro. But they are also beginning to tackle issues closer to home by setting up project teams to dissect their businesses in preparation for the introduction of the notes and coins.

They will examine issues such as supplier relationships (for example, whether to invoice in euros or local currency), staff training, computer systems and financial reporting procedures. Marks and Spencer has even begun to introduce a new computer system, as part of its normal refit, which means that from next year customers would theoretically be able to use the euro in any of its shops throughout the world. But, for M & S at least, the investment is worth it, even in the UK where monetary union is unlikely to take place before 2002.

Paul Smith, head of the M & S euro project team, says building awareness of the euro now is vital to the company's strategic success. "There are not many parts of the business which are not impacted by the euro in some way" he says.

Introducing the till system is almost the easiest part of the task facing retailers. The software to accept foreign currencies – which is essentially what the euro will be until it is completely integrated – has been available for several years.

But the euro could affect things as basic as the size and design of a product. For example, how does a retailer price a dress which in sterling sells at £49.99? Rounding the price down in euros will affect profit margins. Rounding up risks reviving suspicions among consumers that retailers are profiteering from conversion, a widespread result of sterling's decimalisation in 1971.

So in the end, to achieve an acceptable price point, retailers may have to ask suppliers to alter the way the product is manufactured.

M & S also argues that retailers should prepare to introduce dual pricing both in local currency and the euro up to three years before notes and coins become a reality to help consumers learn confidence in the new currency. "If we are to retain the customer's confidence, we must retain their sense of value," says Robert Colville, the company's finance director.

Meanwhile, there are those UK retailers which have so far resolutely held back from investing anything, even time, in preparing for the euro.

"We wanted some certainty on what the government's position would be before we embark on what will be quite an expensive refit of checkouts and other systems," says Bill Hamilton, public affairs director for Safeway, the supermarket group. "It will cost us millions in lost productivity if we get this wrong."

Peggy Hollinger

Brussels faces scepticism over 'ecolabels'

Michael Meacher, the environment minister, yesterday sowed the seeds of a row with the European Commission by suggesting that Britain might dump the EU's troubled "ecolabel" scheme, our Environment Correspondent writes.

Mr Meacher said that Britain would soon decide whether to opt for a national scheme to label environmentally friendly products. Eleven of the 15 EU nations have already sidelined the EU eco-symbol in favour of national labelling systems such as Germany's Blue Angel.

EU-wide ecolabelling is presented by its advocates as a powerful means of encouraging more sustainable consumption by setting common standards for environmentally friendly goods.

But Mr Meacher blamed the "ineffectiveness of the EU scheme" for the fact that it had made "little impact on the single market" in its five years of existence.

Covering a total of 180 products in the 15-nation bloc, the EU ecolabel is held by only six products in the UK, ranging from Hoover New Wave Plus washing machines to Dulux paints.

Action is urged on corporate short-termism

By David Wighton

Margaret Beckett, the chief industry minister, yesterday warned she would not accept the findings of the Hampel committee on corporate governance if it failed to address her concerns about corporate short-termism.

Mrs Beckett, in a speech to the Confederation of British Industry conference, appeared to side with critics of the committee's draft report who say it has watered down previous guidelines on areas such as the role of non-executive directors and institutional shareholders.

"We want forms of governance and company law that encourage companies to invest and grow – to take the long-term strategic view and a broad view of their obligations," she said. She added she was looking forward to seeing how the committee reflected "the many comments stimulated by their draft report" in the final version expected in January.

But she avoided specific criticism of the draft report and declined to say whether the government favoured changes such as requiring that institutional shareholders vote on resolutions at companies' annual meetings.

"We shall see about that when the committee delivers its final report," she told a press conference. Mrs Beckett's advisers later played down the idea that the government wanted sweeping changes to corporate governance regulations. Any legislative changes were likely to be "small and technical" they said.

In her speech, Mrs Beckett made clear the importance she attached to "openness, transparency and accountability" in the relationship between shareholders and management. Corporate governance reform is one of several areas in which the CBI is urging the government to rely on voluntary agreement rather than compulsion.

Sir Colin Marshall, the CBI president, yesterday challenged Tony Blair, the prime minister, over the government's proposals on compulsory trade union recognition. Speaking on a video link to the CBI conference in Birmingham, Mr Blair replied that "provided we implement it sensibly" the proposal should not be of concern to business. He said talks between the CBI and the Trades Union Congress on implementation were going positively.

But John Cridland, the CBI's director of human resources, made clear it still opposed the principle of granting a legal right to trade union recognition.

● Mr Blair also repeated his commitment to ensuring a successful start to the European single currency. He pledged Britain would become "Europe's reformers" to work for the adaptability and flexibility essential if monetary union was to work.

Responding to CBI concerns over the latest interest rate rise and the strength of sterling, Mr Blair insisted giving operational independence to the Bank of England, the UK central bank, had been right.

"I know it's hard to have interest rate rises and consequent pressure on the pound as we choke off inflation that was back in the system. Better to have interest rate rises now – still at 7¼ per cent – than to go back to the early 1990s when they were at 15 per cent for a year."

Inflation rise, Page 8

Rail group may rejoin tunnel race

By Charis Gresser and Charles Batchelor

Eurorail, the consortium which lost out to London & Continental Railways in the bid to build the high-speed rail link between London and the Channel tunnel, may re-enter the fray. The tunnel runs between England and France.

Eurorail has written to the government pointing out that the consortium still exists "on paper" and asking to be kept informed of any renegotiation that might take place to reshape or alter LCR's bid.

LCR senior executives insist that their plans for the link and its funding are proceeding. But the company has delayed awarding £500m ($830m) worth of tunnelling contracts, and the timetable for its planned market flotation appears to be slipping.

Adam Mills, LCR chief executive, said the £3bn capital costs of the project were little changed from estimates made two-and-a-half years ago. But the industry is awash with rumours that the project has run into problems.

LCR is thought to have bid for £500m less subsidy than Eurorail to build the 110km rail link. Eurorail was led at the time by construction companies Trafalgar House, now part of the Kvaerner empire, and BICC. It also included HSBC, NatWest and Seeboard.

LCR's train operation between England and France, the Eurostar service, is losing money. The trains carried 4.5m passengers in the first nine months of 1997, up 20 per cent on the same period last year. But the figure still lags behind the figure of 6.7m passengers forecast for the year as a whole in a report by Eurotunnel, which operates the Channel tunnel.

Ferry merger, Page 13

Samsung to close excavator factory

By Chris Tighe in Newcastle upon Tyne and Peter Marsh in London

Samsung Heavy Industries of South Korea is to close its sole European hydraulic excavator manufacturing plant less than three years after it announced the start of the £10m ($17m) project in northern England.

The decision has been caused by a combination of sterling's strength, UK interest rate rises, the Korean economy's troubles and the continuing sluggishness of the European economy.

In a prepared statement on which it declined to expand, Samsung Heavy Industries said the closure was due to a "substantial decline in competitiveness" in its UK hydraulic excavator manufacturing business, and the fact that it could not foresee the business being viable in the future.

Samsung said it had introduced cost-cutting measures in recent months in an attempt to continue production in the UK. Production will cease early in 1998, and the company's other excavator production plant, in Korea, will serve European markets. Samsung said the decision did not affect its other operations in the UK.

Phil Willis, the opposition Liberal Democrat MP whose district includes the excavator factory, emphasised the area's success in attracting inward investment. He said he was not suggesting financial support but believed the government should try to persuade Samsung its investment in the UK was worth retaining.

The UK government's industry department yesterday confirmed that the project, located in a non-assisted area, had not received any government grants. "It's a commercial decision for Samsung," it said. "Clearly we are disappointed they see no alternative."

Samsung's decision to take over a modern, disused steel fabrication factory near Harrogate to manufacture excavators was announced in January 1995. Local authorities and Yorkshire development bodies offered a £400,000 assistance package. Half has so far been taken up.

Samsung is a small player in the European construction equipment market. It is estimated to account for about 6 per cent of the European market in crawler excavators, with Harrogate production this year set at about 350 machines, 75 per cent of which are for export.

Sales of construction machines across Europe, estimated at $15bn, are being held back this year by economic weakness and slimmer government budgets for infrastructure projects.

David Phillips, of London-based consultancy Off-Highway Research, said the strong pound was having a "crippling" effect on UK exports of construction machines.

Opposition party warns of 'breakdowns in hospital equipment; failure of key defence systems'

Ministries miss own computer 'bomb' deadline

By George Parker, Political Correspondent

The government has missed its own deadlines for tackling the millennium computer bomb problem, it was revealed yesterday. Seven government departments out of 16 have failed to complete costed action plans to tackle the problem. They have failed even though they were due to finish the work by October 1 – a deadline agreed with the National Audit Office, the government spending watchdog.

There has been very little money spent on tackling the problem. The Labour party claimed before its May election victory power that it might cost up to £3bn ($5.07bn) to prepare computer systems in the public sector for the date change. Only £3.4m has been spent so far.

The figures were revealed in a series of House of Commons written answers to Malcolm Bruce, finance spokesman for the opposition Liberal Democrat party, who said the government was showing alarming signs of complacency. "At this rate the government will not be ready for the millennium, and many computer systems will fail," he said. "This could mean breakdowns in hospital equipment, failure of key defence systems, traffic control disaster and computer chaos across government."

Labour was highly critical of the previous Conservative administration's inaction in preparing for the millennium, when many computers could crash because of an inability to recognise a year ending with two zeros.

Geoff Hoon, a Labour MP and former shadow technology minister, said the bill to the public sector could top £3bn, partly because of the shortage of computer programmers. "Programmers will also be heavily involved in preparing systems for economic and monetary union at exactly the same time, whether the UK is involved in the first wave or not," he said.

David Clark, public services minister, has been put in charge of overseeing the Labour government's response to the problem, and asked all departments to submit costed action plans by October 1.

An official in Mr Clark's office said yesterday he was still awaiting some submissions, which would then be forwarded to the government's computer advisers. He planned to make a statement to the Commons on preparations shortly afterwards.

Mr Bruce said government departments were woefully underprepared for the problem under John Major's Conservative government. He said that only three departments had audited the problem by the January 1997 NAO deadline.

He added that the Labour government might exacerbate it by failing to meet its own deadlines. "If there is not action soon, then heads must roll," he said.

Among those government departments facing the largest bills for reprogramming their computers are health and defence.

UK NEWS DIGEST

Financier will sue government

Roger Levitt, the disgraced financier, is to sue the UK government following its decision to abandon attempts to extradite him from the US, the High Court in London was told yesterday. The government's Department of Trade and Industry announced earlier this week that it was dropping extradition proceedings against Mr Levitt after admitting it had made a serious error in its application to the US authorities. The application, its lawyers admitted, had been "misconceived". Mr Levitt, who now works as a boxing promoter in New York, faces a charge of making false statements to DTI inspectors. It is alleged that Mr Levitt misled the DTI over his links with International Boxing Corporation, a London-based promotions company.

Mr Levitt, who spent 12 days in jail after his arrest by US authorities, is now free to remain in the US. However, arrests warrants remain in force should he return to the UK. Mr Levitt has claimed the attempts to extradite him were part of a vendetta by the UK authorities following the controversial sentence of 180 hours community service imposed on him at his trial in 1993 when he pleaded guilty to misleading a financial regulator. *John Mason*

■ ATHLETICS

Disney in $15m sponsorship deal

The British Olympic Association yesterday announced a £9m ($15.2m) 12-year sponsorship deal with Disney to provide British athletes with winter training facilities at the US group's new $100m sports complex in Orlando, Florida.

Under the agreement, 750 British athletes a year can use the warm weather training facilities at the Disney Wide World of Sport complex for £50 per day. In a separate deal, the Orlando Regional Health System has agreed to provide medical support and healthcare facilities. The cost of the programme will be met by the athletes from their own money and funds provided by the government and sporting bodies.

Until now, British athletes have had to finance and arrange their warm weather training themselves, a situation which has been cited as one reason for the recent disappointing results from British teams in the Olympics and world athletics championships.

For Disney, the deal with the BOA will allow the company to forge closer links with Britain, which provides 1m visitors to Disney World each year, more than any other country outside the US. *Patrick Harverson*

■ BCCI COLLAPSE

Creditors may get higher dividend

Creditors to the collapsed Bank of Credit and Commerce International, which crashed with debts of $10bn in 1991 following the world's biggest banking fraud, are likely to get a second dividend no later than June next year of 11.5 per cent. By that time the second dividend could be as high as 15.5 per cent.

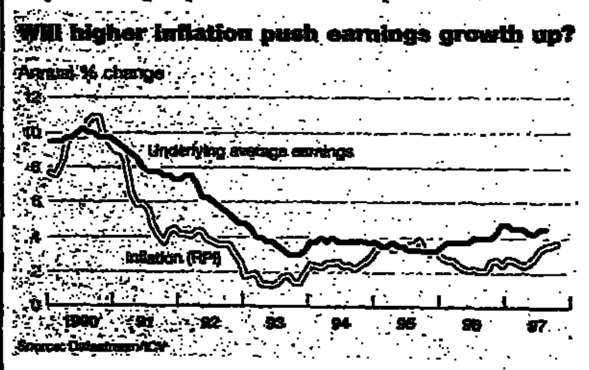
Liquidators gave the news to members of the Depositors' Protection Association at a Westminster meeting yesterday. Last year they got a dividend of 24.5 per cent. Further dividends are expected. *Jim Kelly*

■ INFLATION

Figures affect rate expectations

Retail prices rose by 3.7 per cent in the year to October, up from 3.6 per cent in the previous month. The figures were only slightly worse than economists expected, but they had a big impact on base rate expectations.

Will higher inflation push earnings growth up?



Prices for interest rate futures contracts suggest that base rates are expected to reach between 7.75 per cent and 8 per cent next summer, compared to the current level of 7.25 per cent. The rate expected for the end of next year rose by almost a fifth of a point yesterday.

The jump in interest rate expectations propelled the pound higher, tightening the screw on Britain's beleaguered exporters. Sterling closed above $1.70 for the first time since New Year's Day and reached a three-month high against a basket of other currencies. *Robert Chote*

■ BRITISH AIRWAYS

Smoking ban for all flights

Smokers will soon be forced to stub out their cigarettes on all British Airways flights, the airline announced yesterday. Smoking will be banned when the airline launches its summer schedules on March 29 next year.

The new regulation follows overwhelming support from the majority of customers, said British Airways chief executive Bob Ayling. There are more than 7,000 British Airways flights every week and 95 per cent of them are already smoke-free.

■ AIRPORT PRIVATISATION

Bus-rail group is preferred bidder

FirstBus, the bus and rail group, was yesterday selected as preferred bidder to take a 51 per cent stake in the privatisation of Bristol airport in the west of England. Bristol City Council will retain a 49 per cent stake.

No figure for the stake was disclosed but it is thought FirstBus bid about £40m ($66.4m). The move marks the determination of the company to diversify into a broadly based transport group, similar to National Express.

Moir Lockhead, FirstBus chief executive, said: "We're very happy to be working in partnership with the council. However, if at some point in the future, the council wanted to sell their stake, obviously we would be interested." *Charis Gresser*

■ SWISS DEFENCE ORDER

GKN vehicle selected for trials

The Warrior fighting vehicle made by GKN, the engineering group, has been selected for trials by Switzerland's defence procurement agency for an order that could be worth £600m ($996m). Switzerland is seeking 300 vehicles to replace its M113 armoured personnel carriers. In competition are Hagglunds of Sweden, recently purchased by Alvis of the UK, and a German bidder. *Alexander Nicoll*

ARTS

Rattling on Simon's door

Pierre Ruhe on the Philadelphia Orchestra's search for a new conductor

The Philadelphia Orchestra, a highly polished ensemble at present in the artistic doldrums, is searching for a new leader now that music director Wolfgang Sawallisch has announced he is going to step down by 2000.

In Simon Rattle, who conducted an intelligent, at turns, charged Mahler second symphony last week, the orchestra may have latched on to the conductor who, many feel, would be its best hope to begin a new era.

That Rattle can give Philadelphia a fresh voice was evident from his Mahler. Rich in harmonic structure, his reading caught the playfulness and the neurosis in the score. Tempo shifts remained within "objective" bounds, yet were flexible inside barlines. Rattle occasionally asked the strings to slide, slowly, as an expressive device, which they did enthusiastically. There was no stiffness.

In the first movement, he spaced the *molto pesante* descent down to the *tempo primo* so audaciously that it made me laugh in delight. This is conductor's music, after all, and the bigger the personality leading the listener the better. A dancing third movement was dreamy and strong, almost removed from time. The two remarkable soloists, contralto Nathalie Stutzmann and soprano Christine Schäfer, were clear, nuanced, unified in both interpretation and meaning.

The orchestra, with abundant strength among the strings and woodwinds, gave themselves over willingly. After almost 20 years leading the City of Birmingham Symphony Orchestra, Rattle has been deified by the press as a near-perfect music director. He interprets a huge range of old and new music convincingly and any interpretative shortcomings are made up through energetic performances. He is also faithful to his orchestra and committed to education. He carries a lucrative EMI recording contract. Despite the uniqueness of his Birmingham years, whichever orchestra he alights on will expect nothing less than the same undivided attention.

Philadelphia is in need of rejuvenation. A year after a players' strike and with subscriptions down to 60 per cent of capacity, a new artistic administrator was hired last month to help speed the healing process. The respected Simon Woods, not coincidentally one of Rattle's producers at EMI, was brought on, many feel, as a lure to entice Rattle.

Others on Philadelphia's shortlist include Franz Welser-Möst, although some players have disparaged him for lightweight interpretations, and Christian Thielemann, a well-supported candidate as admired for the dark central European sound he draws from the orchestra as for his Deutsche Grammophon contract.

Unlikely names bandied about include Mark Wigglesworth and Riccardo Chailly – but why would Philadelphia want to become Chailly's second orchestra, a step-sister to the Amsterdam Concertgebouw?

Rattle indeed is the most promising candidate. But if it is offered, would he take the job? He has called what he is doing now – routine guest-conducting – an "unsatisfactory occupation". Speculation since the early 1990s that Rattle and the Boston Symphony Orchestra were betrothed was premature.

As the likelihood that he will land a better orchestra diminishes, Seiji Ozawa shows no sign of leaving Boston, and his recent administrative shuffling at the Tanglewood Music Center (operated by the BSO) implies he is further entrenching himself.

Rattle's long flirtation with Los Angeles ended as Esa-Pekka Salonen and the Los Angeles Philharmonic proved an inspired match. So Philadelphia is probably the best US post that will be available during the next few years.

Should none of the conductors accept, Philadelphia could lessen the burden and empower a troika – one conductor nominally as music director, one for heavy repertoire (Sawallisch will stay on as emeritus), the third a "creative conductor". Such a system was in place in Chicago (Barenboim-Solti-Boulez) and, in our jet-set era, might be Philadelphia's only option.

But players acknowledge that stagnation and frustration are just as likely as success with this scheme, and, if the Philadelphia is to reclaim prominence among international orchestras, a single, enlightened vision is required. The search committee's decision is expected before season's end.

Deified as a near-perfect music director: Simon Rattle

A Dostoyevskyan drama set in working-class Scotland: Shirley Henderson and Alison Peebles in Chris Hannan's remarkable play 'Shining Souls' Alastair Muir

Opera/Andrew Clark

With 'Boris' in their blood

Reviewing the UK premiere of *Boris Godunov* at the Theatre Royal, Drury Lane, in London in 1913, the *Times* critic remarked on the "simple crudity" of the music, adding that "Musorgsky could be tender; he could also be pitiless, and it is the uncompromising reality by which *Boris Godunov* is seen to be a great work of art".

That notice was reprinted in the programme for the Kirov Opera's "semi-staging" in the same theatre on Sunday, and its verdict holds true. This time there was no Chalyapin on stage, and instead of Rimsky-Korsakov's adaptation we heard Musorgsky's original version of 1869 – seven austere panels given in a single sweep of two and a quarter hours. No Polish scene, no acclamation of the young pretender in the Kromy Forest, no glitter and not much colour; instead, a vision of raw beauty and mysterious majesty, the primitive chimes of fate shrouding a dark, introspective mood of psychological collapse.

Boris has long been hailed as one of the most original works in operatic history, and this performance – a one-off royal gala organised by the Friends of the Kirov – underlined why.

It was, nevertheless, an unsuitable choice for the occasion. Without the visual contrasts of a full theatrical representation, Musorgsky's first version comes across as an unremittingly gloomy cantata, and the Kirov made things worse by relegating chorus and orchestra to the background.

I am no apologist for the Rimsky version, but it works brilliantly in concert, and would have provided better entertainment for Sunday's black-tie audience, some of whom had paid £270 for their tickets. Squeezed into the Kirov's touring schedule before its autumn residency in Paris, this performance had more significance as a fund-raiser than as an artistic event.

The orchestra was too distant to allow clarity of instrumental detail, and the chorus was reduced to a cipher. With no sets, the principals were left to convey what drama they could on a strip at the front, and it is a tribute to their natural histrionic gifts that they coped so well. They had their costumes, and there was some concentrated lighting, particularly effective in Pimen's monastic cell and the claustrophobic palace room. Most important of all, they sang as if they had *Boris* in their blood.

The hallmark of the Kirov is strength in depth: barring Anna Netrebko's diamond-toned Xenia, none of these singers is familiar in the west – yet they all have large, well-sculpted voices and know how to communicate. Nikolai Putilin's Boris comes from the "less is more" school of operatic acting – grand, tormented, restrained and inwardly devoured. The voice has dignity and projection, filling the house with a whisper but not afraid to roar: a singer who effortlessly commands the stage.

Scarcely less impressive was Victor Loutsiuk, his radiant, rock-steady tenor giving the utmost credibility to the opportunist young monk Grigory. Mikhail Kit was the patriarchal Pimen, Konstantin Pluzhnikov a serpentine Shuisky. The only caricature came in the inn scene, though it would be hard to fault the swaggering brio with which Fyodor Kuznetsov delivered Varlaam's songs.

As for the Kirov's own tsar, Valery Gergiev had a subdued night, conducting with none of the immediacy or visceral thrill that characterised his Salzburg performances in the summer. It may have had something to do with the version used, not to mention the unhelpful acoustic: the hum of air-conditioning ruined the quieter passages. Gergiev laid the score out patiently, but I doubt if anyone was bowled over.

Sponsored by Salomon Brothers and Moscow Narodny Bank. The Kirov performs *Boris* and Prokofiev's *Betrothal in a Monastery* in repertory at the Théâtre des Champs-Elysées in Paris until November 16.

Theatre/Alastair Macaulay

A comedy on the brink of tragedy

Without being radical or obscure, Chris Hannan's 1996 play *Shining Souls* is so peculiar that it keeps you on tenterhooks from first to last. Beyond the fact that you never know what will happen next, you hardly know how to react to it when it does happen. *Shining Souls* is a realistic play, several of whose characters are obsessed with the transcendent; it is a comedy whose characters all hover on the brink of tragedy; it is a Dostoyevskyan drama set in working-class modern Scotland.

Anne has two boyfriends, both called Billy, both of whom know about each other. Billy 1, on the day on which she is set to marry him, says aloud to the air, "Anne, are you thinking of me? Do you remember that night when you rang me and said 'Billy, I can't speak, I've got Billy with me.'" Anne, however, whom we see in the next scene, is thinking of neither of them, but of the two suicides in her family which haunt her. She has also met today a third man, Charlie. Charlie is powerfully attracted to her (and to her daughter Mandy), and he attracts not only her and Mandy, but also one other woman and a man, too.

Anne and Charlie are both driven, impulsive, doomed people. The way they both helplessly lure teams of other people is part of the play's most enthralling features, but more wonderful is the strange quality of soul they both exemplify. They have no nobility, and no especial virtue, and both of them are a remarkable mixture of weakness and strength. Yet they address worlds beyond this one so naturally that they exert a force unusual in modern drama.

All the play's characters are marvellous in one way or another. Or rather in one single way: as the title tells you, their souls shine through. "I want someone who can see the back of my face," says Anne. The love that both Billies express for Anne is breathtaking in its innocent faith; the calm resignation with which Billy 2 makes his suicide speech is astounding. The bitter pathos of Mandy, the crazed religious visions of Prophet John, the wry loyalty of his woman Nanette, the fresh devotion of Charlie's Margaret May: all these are at times amazing. The funniest and most astonishing character of all is the minister who comes to marry Anne and Billy: "There are ten commandments. Far too many, right? Pick one, and try and keep it till I get back."

From time to time, Hannan's writing reminds you that you are watching a mere play in which fictional characters do improbable things and take turns to speak written lines. But this is less true than when the play was new last year – Hannan has made some revisions – and the beauty of *Shining Souls* is largely entrancing. The play's plot is, admittedly, less interesting than its characters. Hannan directs; the intense Scots accents employed involve rather too many blurred syllables and sentences, and a few group scenes are too obviously "blocked".

But all ten actors are absolutely alive to the comedy and the sublimity of the play. Thanks to them and to Hannan, *Shining Souls* leaves a lasting light in the mind unlike that cast by any other play I can recall seeing.

In Peter Hall repertory at the Old Vic, London SE1.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Bill T. Jones/Arnie Zane Dance Company: Blue Phrase, Ballad, New Duet and Ursonate; Nov 12, 14, 15

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Cosi Fan Tutte: by Mozart. Netherlands Opera production, conducted by Ivor Bolton in a staging by Jürgen Flimm, with an entirely new cast; Nov 13, 16, 18

■ BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: premiere of Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Nov 18

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Nov 16

■ BRUSSELS

DANCE
La Monnaie Tel: 32-2-229 1211
Soirée de Percussion: new production choregraphed by Anne Teresa de Keersmaeker to music by Magnus Lindberg, Steve Reich and Thierry de Mey; Nov 12, 13, 14, 15, 16

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
Idomeneo: by Mozart. Conducted by John Nelson in a staging by John Copley. Cast includes Mariella Devia and Plácido Domingo; Nov 16

■ EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
Discovering the Italian Baroque: The Denis Mahon Collection. Consisting of 17th and 18th century Italian paintings by Guercino, Guido Reni and Domenichino, among others, collected by Mahon since the 1930s. The exhibition was in London until May; opens tomorrow

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● The Sibelius Cycle: Sir Colin Davis conducts the London Symphony Orchestra in Symphony No. 1 and Symphony No. 2; Nov 16
● The Sibelius Cycle: Joseph Swensen conducts the Scottish Chamber Orchestra, with violin soloist Ida Haendel; Nov 18

EXHIBITIONS
Royal Academy of Arts
Tel: 44-171-439 7438
Victorian Fairy Painting: exploring the fascination with fairies and the supernatural which took hold of artists and writers in Britain from the early 19th century to the outbreak of the First World War. The display includes designs for the theatre, where the Shakespearian revival played an important role in rekindling interest in fairies. Artists represented include Turner, Landseer, and Richard Dadd, who ended his life in Bedlam after murdering his father. The exhibition will travel to the US next year; opens tomorrow

OPERA
London Coliseum
Tel: 44-171-632 8300
● From the House of the Dead: by Janáček. New English National Opera production, conducted by Brad Cohen in a staging by Tim Albery. The programme is completed by Twice through the Heart, by Mark-Anthony Turnage, conducted by Nicholas Kok; Nov 13
● The Magic Flute: by Mozart. Nicholas Hytner's English National Opera production is revived by David Ritch and conducted by Christopher Moulds; Nov 14

Royal Albert Hall
Tel: 44-171-589 8212
The Royal Opera: Otello, by Verdi. Conducted by Jacques Delacôte in a staging by Elijah Moshinsky; Nov 17, 18

THEATRE
The Pit, Barbican Centre
Tel: 44-171-638 8891
Romeo and Juliet: by Shakespeare. New production directed by Michael Attenborough and designed by Robert Jones. Ray Fearon and Zoë Waites are the lovers; to Nov 15

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Oliver Knussen in a programme including works by Rimsky-Korsakov and Takemitsu; Nov 14, 15, 16

■ MADRID

OPERA
Teatro Real Tel: 34-1-516 0600
La Monnaie: touring production of Britten's Peter Grimes. Conducted by Antonio Pappano in a staging by Willy Decker; Nov 15, 18

■ MUNICH

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
Elektra: by R. Strauss. Premiere. Conducted by Peter Schneider, in a production directed and designed by Herbert Wernicke; Nov 12, 16

■ NEW YORK

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Don Giovanni: by Mozart. Production by Franco Zeffirelli; Nov 14, 17
● La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Nov 12, 15
● Turandot: by Puccini. Revival of a staging by Franco Zeffirelli; Nov 15

New York State Theater
Tel: 1-212-870 5570
● Don Pasquale: by Donizetti. New York City Opera. New production, premiered at Glimmerglass, directed by Leon Major and conducted by Lucinda Carver; Nov 14
● La Bohème: by Puccini. New York City Opera. Conducted by George Manahan and staged by Graziella Sciutti; Nov 15, 18
● Marco Polo: by Tan Dun, premiered in Munich last year. New production by the New York City Opera conducted by the composer and directed by Martha Clarke; Nov 15
● Xerxes: by Handel. New York City Opera. New production directed and Stephen Wadsworth and conducted by George Manahan; Nov 13, 16

■ PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre National de France: conducted by Yehudi Menuhin; Nov 17

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Paris Opera Ballet: mixed programme – Soir de fête by Staats, L'Arlésienne by Petit, and La Symphonie fantastique by Massine; Nov 12, 13, 14, 15, 18

EXHIBITION
Musée d'Art Moderne, Ville de Paris Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Nabucco: by Verdi. Conducted by Pinchas Steinberg in a staging by Robert Carsen; Nov 13, 16
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Fabio Luisi; Nov 12

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Boris Godunov: by Mussorgsky. Performed by St. Petersburg's Marinsky Theatre, conducted by Valery Gergiev (Alexandre Polianitchko on Nov 16); Nov 12, 15, 16
● Les Fiançailles au Couvent: by Prokofiev. Performed by the Marinsky Theatre of St. Petersburg, and conducted by Valery Gergiev; Nov 13, 14

■ TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
Ivo Pogorelich: recital by the pianist of works by Bach, Schumann and Chopin; Nov 16

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC Europe**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Lionel Barber

Vegetable-eater

By nominating Trichet to head the European Central Bank, Chirac may be biting off more than he can chew

L'Europe, c'est la France et l'Allemagne. Les autres sont des légumes – Charles de Gaulle.

Jacques Chirac, the French president, revels in breaking every rule in the diplomatic book. His nomination of Jean-Claude Trichet to head the future European Central Bank is on a par with his decision to resume nuclear testing in the South Pacific. The rest of the world is incredulous but France stands defiant.

The Dutch are seething. First it was their soft policy on soft drugs; now it is their tough support for a central banker. The Hague, it seems, can do almost nothing right in Mr Chirac's eyes. Mr Trichet's nomination is an implicit veto of Wim Duisenberg, the Dutch central bank governor and head of the European Monetary Institute, the forerunner of the ECB. Now Mr Duisenberg risks joining Ruud Lubbers and Onno Ruding on the list of Dutch grandees who became also-rans in the race for top-class international jobs.

The silence in Bonn and Frankfurt is revealing. Helmut Kohl, the German chancellor, saw Mr Chirac's gambit coming. He was *tipped off three weeks ago.* More surprising was Mr Chirac's success in co-opting his prime minister, Lionel Jospin. The joint declaration between the Elysee and Matignon on the eve of the Franco-German summit in Paris was a crude attempt to bounce Mr Kohl into accepting Mr Trichet's candidacy.

The French are spreading rumours that there was a secret pact between Mr Kohl and the former French president François Mitterrand. The Germans, it is said, secured Frankfurt as the location for the central bank. The French won an understanding that the Germans would back a Frenchman for ECB president. Mr Kohl is trapped. If he denies any deal, he risks stoking anti-French sentiment in Germany. If he says nothing, the Germans will assume he's *traded away* more than the D-Mark.

The existence of such a deal is highly improbable. Mr Chirac cannot claim to be a confidant of Mitterrand, who took many secrets to the grave. To paraphrase the old saying on the *Schleswig-Holstein* question: only three people knew the answer, one is dead, the other is mad, and the third has forgotten.

The charge against Mr Chirac is that he has needlessly politicised the selection process of the ECB president and jeopardised the launch of the single currency, now little more than 12 months away. Does the charge stand up?

There is a whiff of hypocrisy here. Top jobs in Europe always come down to horse-trading. Mr Kohl killed off Mr Lubbers to succeed Jacques Delors as president of the European Commission. John Major vetoed Jean-Luc Dehaene, the Belgian premier and Franco-German favourite.

Mr Chirac had every right to put forward Mr Trichet, but the manner in which he did so suggests he is using the governor of the Bank of France as a pawn in a bigger game. A French veto of *Mr Duisenberg* draws a Dutch veto of Mr Trichet. The EU is forced to find a third candidate more amenable to the French.

Alternatively, Mr Chirac could withdraw his candidate in return for other favours. The French are losing ground in international institutions. Mr Delors is no longer running the European Commission. Jean-Claude Paye has stepped down as secretary-general of the Organisation of Economic Co-operation and Development in Paris. Jacques de Larosière is about to retire as head of the European Bank for Reconstruction and Development in London.

But the ECB job is about more than national pride. It foreshadows future tensions in economic and monetary union: how to strike a balance between elected politicians and independent professional central bankers. One obvious area for disagreement is the appropriate single interest rate policy in a future euro area, stretching beyond the traditional D-Mark zone to Italy, Portugal and Spain; there are numerous others.

Risky business: Chirac could turn out to be the loser

Mr Chirac viewed Mr Duisenberg as the candidate of a club of central bank governors headed by Hans Tietmeyer of the Bundesbank. When Mr Duisenberg declared himself a candidate in a German newspaper and failed to go on bended knee to the Elysee, Mr Chirac marked his card. Once the Labour government confirmed that Britain would not join Emu on January 1 1999 – and therefore ruled itself out of any say in the appointment – Mr Chirac judged it was time to act.

The French have cast Mr Duisenberg as a Bundesbank clone but his record suggests otherwise. In 1973, when he was finance minister, the Dutchman responded to the oil shock with a huge fiscal stimulus to the economy. He is an extremely able communicator in Dutch, English, German, and, yes, French.

If Mr Duisenberg's candidacy is doomed, is there any chance of Mr Trichet getting the top job? It would be unwise to rule him out.

Mr Trichet is one of the great survivors. He has moved from press spokesman to the then president, Valery Giscard d'Estaing, counsellor to the former prime minister, Edouard Balladur, to the director of the Treasury and then Bank of France governor. A succession of French banking scandals have left him untouched. So jealously has he guarded the Bank's freshly minted independence and stuck to the politically unpopular *franc fort* policy that he is known as "Hans-Claude Trichmeyer".

The foreign exchange markets would be happy with Mr Trichet or Mr Duisenberg. They will not be happy with a lowest common denominator candidate. In that case, watch out for a draft Tietmeyer campaign. Mr Chirac could turn out to be the loser.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Speedy enlargement of EU membership fully supported

From Ms Lousewies van der Laan.

Sir, I read with interest your editorial "EU enlargement" (November 10). I particularly welcomed your proposal that the EU produce annual reports on progress made by the applicant countries. As the FT should already know, the European Commission made exactly such a proposal last July in its Agenda 2000 report for a stronger, wider Union. EU member states are likely to endorse this proposal when they take a decision at the European Council in Luxembourg in December on how to manage the enlargement process.

The recommendation concerning annual reviews on applicants' progress is just one of the many proposals the Commission has made that underline our commitment to an enlargement process from which no applicant is excluded. All the applicants from central and eastern Europe will join the EU. As the Commission made clear in its opinions on their individual applications for EU membership, the timing of their accession is largely in their hands. The more rapidly they address the shortcomings identified in the opinions, the more quickly they will join. For our part, we will continue to fully support them in their efforts.

Lousewies van der Laan,
spokeswoman, Commissioner Hans van den Broek,
European Commission,
Rue de la 200,
1049 Brussels,
Belgium

Cyprus: generosity and search for security

From Mr Pavlos Andronikos.

Sir, Edward Mortimer's suggestion ("The black sheep", November 5) that the EU insist on concessions on the part of the Republic of Cyprus to Turkish Cypriot demands as part of the terms of entry to the EU is completely unhelpful. The Greek Cypriots have already made a significant concession to this troublesome minority population of Cyprus by agreeing to a federal bi-zonal bi-communal republic of two politically equal states in the event of an agreed settlement.

Such a concession from 80 per cent of the population of the island to a minority of 18 per cent and falling can only be regarded as generous in the extreme, particularly when one bears in mind that this minority has, with the help of the Turkish Army, forced 200,000 Greek Cypriots from their ancestral homes and villages in the Turkish occupied north of the island.

(It is worthy of note that more Greek Cypriots have been forced out of the Turkish-occupied territory than there were or are Turkish Cypriots in Cyprus.)

The EU should, along with the US, be leaning on Turkey to respect the relevant UN resolutions, withdraw its troops from the island, and make the concessions necessary for a just settlement to the Cyprus problem. It is time the west stopped pandering to Turkey. This "wayward cousin", as your correspondent so mildly put it, needs to be taught respect for human rights and international law. Appeasement will only lead to more trouble in the future.

Pavlos Andronikos,
senior lecturer and head,
modern Greek section,
department of classics and archaeology,
Faculty of Arts,
Monash University,
Clayton, Victoria 3168,
Australia

From Professor S.R. Sonyel.

Sir, Edward Mortimer has ably analysed the problems emanating from the unilateral application by Greek South Cyprus for EU membership ("The black sheep"). However, he is rather too optimistic and vague with regard to the boon that will accrue to the Turkish Cypriots. The main concern of the Turkish Cypriots is security, non-domination by the Greeks, and permanent Turkish Cypriot majority in North Cyprus.

They fail to see how the EU will provide security for them when even the UN peace-keeping force failed to do so, and how they will effectively maintain a Turkish Cypriot majority in the north, in view of the EU principles of freedom of movement and settlement.

S.R. Sonyel,
35 D'Arblay Street,
London W1A 4YL, UK

Only for those in the club

From Mr N. Adami.

Sir, Re Lionel Barber's article "Spectre of of September 1992 haunts Labour" (November 5) and Nick Tyrrell's letter (November 11), may I suggest the latter reads the protocol No 6 in the annexe to the Maastricht Treaty until the end of art.3.

The last sentence of that article reads as follows: "In particular, the member state shall not have devalued its currency bilateral central rate against any other member state's currency on its own initiative for the same period [two years]." But, the notion of bilateral central rate supposes participation in the ERM because central rates exist only for members of the ERM. So, Mr Tyrrell's suggestion ("no need to join the club") fails.

N. Adami,
3090 Overijse,
Belgium

No evidence to support accusation over Chinook crash

From Mr John D. Cook.

Sir, The secretary of state for defence (Letters, November 7) is quite wrong to accept that the Ministry of Defence verdict on the ZD576 Chinook tragedy is justified. He, like his predecessors Messrs Rifkind, Portillo and, more recently, Lord Gilbert, are all reading from the MoD script which only includes what it, the MoD, thinks is relevant. The real facts are quite different.

Only at the public inquiry were some of the pilots who were involved with the Mk2 Chinook asked any questions, and that inquiry could find no justification of negligence on the pilots' behalf.

We, the families, have never tried to explain the cause of the accident. There were no witnesses. No flight recorders. Nor any evidence to prove anything. What we do know is that the crews involved were having a lot of problems with the FADEC system and the flying controls.

The MoD has to be able to satisfy AP3207, RAF manual of flight safety, that states categorically: "Only in cases in which there is absolutely no doubt whatsoever should deceased aircrew be found negligent." It cannot be right that opinions based on no evidence can be sufficient to prove negligence.

The air marshals would have us believe that their selected highly trained, highly experienced, and highly respected Special Forces aircrew would make such a crass mistake as to fly into solid rock? Where is the evidence for this accusation? There is none.

The families and friends of the deceased aircrew have a wealth of knowledge and experience in aviation, military, civil and aircraft accident investigation, and are convinced that the accusation by the air marshals cannot stand up to their own regulation AP3207.

No natural justice can accept opinion as evidence and therefore doubt must exist.

John D. Cook,
30 Gally Hill Road,
Fleet, Hants GU13 0PU, UK

Personal View · Floyd Abrams

Letter to an English friend

The presence of TV cameras in court reflects the fairness of the US judicial system

Silent witness: TV cameras allowed Britain to follow the Woodward trial

& I know that you're still upset by the nanny verdict. Louise Woodward may be free but I know you think she was mindlessly and indefensibly found responsible for the death of an eight-month-old baby by a jury that couldn't or wouldn't do justice and a judge that wouldn't fully undo that injustice.

I sense you believe it is no coincidence that Louise was found guilty in the same nation that was capable of freeing O.J. Simpson. And I know you blame, at least in part, the fact that there was extensive publicity before the trial and television cameras were allowed in the courtroom during the trial for the ultimate result that you find so distressing.

But could you listen for just a moment? Could you look at the way you and your now-cheering countrymen come across over here? Because as seen from this side of the Atlantic, your reaction seems far more overheated than thoughtful, far more the result of xenophobic passion than of dispassionate analysis.

Recall first the different waves of received wisdom that swept over the British public. Before the trial began, British observers objected to the extensive pre-trial publicity about the case (we call it free speech), the fact of a televised trial (permitted under Massachusetts law) and the very visage of a 19-year-old English girl being tried by a Boston jury containing people whose grandparents were born in – where else? – Ireland.

By the time the testimony was completed – but before the verdict was announced – criticism of the trial and the American legal system had faded. The skilled defence lawyers had punched one hole after another in the state's medical case. The pre-trial publicity seemed long forgotten. And an acquittal was generally expected.

Then came the guilty verdict and the firing of one angry barrage after another from east to west across the Atlantic. Televising the trial was criticised, notwithstanding the absence of any basis for concluding it adversely affected anyone's in-court behaviour – judge, lawyers, witnesses or jury. Not a single defence counsel objected to the presence of a camera in the courtroom, including Barry Scheck, who had repeatedly criticised the televising of the trial of his client O.J. Simpson – after that case concluded.

British critics of the nanny trial are right about one thing. The silent, all-but-unnoticed camera did have real impact. Public opinion in Britain (and, by trial's end, in the US) was galvanised by seeing just what the jury saw. The members of the British public who were persuaded that there was reasonable doubt about Louise's guilt (or, in fact, no doubt of her innocence) reached that view only because of what they learned by watching the case on television.

Or what they think they learned. For British observers to complain that there was "no" evidence against Louise or that no fair or educated juror could have found her guilty is simply to ignore the most important evidence offered by the prosecution. Judge Hiller Zobel, whose sense of compassion for Louise led him to order her release – in spite of his determination that she was guilty of manslaughter – concluded that the jury verdict was "not against the weight of the evidence". There was, for example, the testimony of the police, credited by Judge Zobel, that Louise had acknowledged to them that she had been a "little rough" with Matty on the day he was rushed to the hospital. Louise denied saying any such thing. But decisions as to who to believe and who not are precisely what juries do best in both Britain and the US.

But, you say, you know that Louise was credible and the police were not. Listen carefully to yourself. Ask yourself how you can even begin to make that judgment. If you are able to do so, it is only because cameras were present. Is that not the strongest, most persuasive argument for cameras acting as a check on judges and juries alike?

Compare the benefits of the true public education about the judicial system provided by the cameras with the lessons in journalistic behaviour offered by the British newspapers that engaged in circulation-driven "campaigns" to save Louise. Or to the behaviour of those individuals – British and American alike – who marched outside the courthouse in Cambridge while Judge Zobel was still deciding whether to reduce her sentence, seeking to influence him with signs, banners and chants.

That behaviour would undoubtedly constitute a contempt of court in Britain with regard to any pending criminal prosecution. British editors have been jailed for far less. In the US, such behaviour has been protected by the First Amendment since a 1941 Supreme Court opinion that rejected English contempt law and concluded that the very purpose of the American revolution was "to secure for the people of the United States much greater" free speech "than the people of Great Britain had ever enjoyed".

So as the British press and public continue to denounce the American legal system and the television cameras that showed it to them, why not pause to reflect on why you're so sure so much went wrong in the Louise Woodward case. If not the in-court camera, what? And while you're at it, ask yourself whether a society open enough and secure enough to allow all of Britain to watch everything that occurred in its courts may not even have a lesson or two to offer its friends across the sea.

The author is an American constitutional lawyer and a partner in the New York firm of Cahill Gordon & Reindel

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Wednesday November 12 1997

Internet merger

The bid by WorldCom for MCI has been discussed, until now, largely in the context of the past. It is time for the debate to focus on the future.

The rationale for the deal lies in the cost savings from combining the two companies' core businesses, in voice telecommunications. These savings motivated WorldCom's higher bid this week and the MCI board's acceptance. But the merged company would also obtain enormous influence over the development of the internet.

The net began as a disorganised, decentralised network of networks. There is no owner, no central guiding force, just a collection of standards and some voluntary bodies to administer them. But recently a handful of big companies have built up powerful roles in providing access to the internet and carrying its data.

WorldCom owns UUNet, the biggest and most international of the Internet Service Providers (ISPs), which link users to the net. Recently, it agreed to buy the network infrastructure of America Online and CompuServe, two proprietary online systems which also act as ISPs. Similarly, MCI provides the most heavily used of the fibre-optic "backbones" for the system in the US.

The industry is far from mature – more fibre-optic backbone capacity is being added daily. There are many thousands of small ISPs within the US and around the world. And there are other big internet participants, such as Sprint, American Telephone & Telegraph and GTE, a rival bidder for MCI. It is certainly too early to say that a merger between WorldCom and MCI would produce an undesirable concentration of power.

None the less, there is a risk that the consolidation of the industry will transform the way the internet works. From the outset, internet participants have carried each others' data across their networks for free. It is this arrangement that gave the system its low cost and global reach. As individual participants get bigger, there is a growing temptation for the larger to discriminate against the smaller, charging them for access or refusing connections altogether.

So far, the shift to charging has not destroyed the internet ethos; it may, indeed, be a desirable step towards maturity and financial stability. But it should not be allowed to take place unscrutinised. The proposed merger unites two of the biggest participants in the emerging internet industry, together handling around 60 per cent of backbone traffic. It provides an ideal opportunity for an examination of the competition issues. The federal authorities should rise to this challenge.

A Real fight

The Brazilian government is to be commended for its prompt and serious response to the financial turmoil which now threatens its anti-inflation programme. It has wasted no time in futile railing against the supposed wrongs of foreign speculators, but has taken tough measures to counteract the threat.

The strains its programme is facing reflect the dangers of relying excessively on a pegged exchange rate in the battle against inflation. But the government has taken the sensible view that an abrupt devaluation at this stage would jeopardise economic stability.

Its initial response was to signal a sharp increase in interest rates to defend its currency, the Real. This was followed by an emergency fiscal package to reduce the budget deficit by some $18bn and intensified efforts to secure backing in Congress for constitutional amendments to help bring government accounts under control.

These actions imply very slow growth next year, a year in which President Fernando Henrique Cardoso is expected to stand for re-election. His calculation is that the voters' priority is to preserve success against inflation – below 6 per cent this year compared with an average of 1,400 per cent in the first four years of the decade.

Yet the electorate is not his only concern. Higher interest rates, by slowing the economy, will help bring down the current account deficit, estimated at close to 4.5 per cent of gross domestic product this year. But they will also increase pressure on the budget, by increasing government debt servicing costs, and on parts of the banking system. Many smaller financial institutions already face damaging losses because of the collapse in stock and bond prices since mid-October.

The full costs of the policy response to the first wave of speculation are thus as yet unknown. If the Asian experience is any guide, further waves of speculation can be expected as these costs become apparent.

In its defence, the government still has high foreign exchange reserves, even after spending an estimated $7bn to $8bn in recent weeks, and can anticipate large receipts from its ambitious privatisation programme. It would also be prudent to seek assistance from the International Monetary Fund before any crisis, rather than after the event as Mexico did in 1994, and avoid any protectionist response.

What is also required is prompt action by Congress to reduce the budget deficit in a sustainable way, and an explicit plan to increase private saving in the longer term. Only by boosting weak domestic saving will the government address the underlying source of economic vulnerability.

Rouble trouble

For Russia, it could not have come at a worse time. Just as growth was starting to pick up, confidence in the rouble was returning, and the fiscal deficit was at last being tackled, the rouble came under speculative pressure.

The authorities responded on Monday by raising interest rates and widening the exchange rate band. Their actions could restore stability. But they must realise that high interest rates are themselves causing problems; they are far from an easy way out.

The authorities are probably right to defend the rouble. The currency is not overvalued. Russia has a large current account surplus, and the real exchange rate has hardly changed since the beginning of last year, thanks to a policy of managed depreciation.

A sudden depreciation now could destroy confidence. High inflation in the past led many Russians to hold US dollars rather than roubles. This dollarisation is only now starting to reverse. A depreciation could easily lead residents to rush back to the safe haven of dollars.

Also, a redenomination of the rouble is planned for the beginning of next year. Weakening confidence could put this in jeopardy, and seriously damage the government's credibility.

But this week's measures to defend the rouble have pushed up Russia's real interest rates to nearly 20 per cent. Rates were raised at the beginning of 1996, as part of the policy to stabilise the exchange rate and the price level. Even after stabilisation was achieved, rates remained high, partly because of high levels of government borrowing in the domestic financial markets. The result is that long-term investment has been stunted. Russian growth will not get off the ground until real interest rates can be reduced to reasonable levels.

The authorities must ensure that the rate rise is, as they claim, just a temporary measure. They may be tempted to be over-cautious, and leave rates too high for too long. This would put Russia's fragile economic recovery at risk.

In the longer term, they must aim for a permanent reduction in rates. This can only be achieved if the government has monetary and fiscal policy credibility. But fiscal policy, in particular, remains fraught with problems. The government is making progress, but has much work to do to prove its commitment to tackling the fiscal deficit and constructing a coherent tax system.

The rouble should be defended for now. But the Russian authorities should already be making preparations for a period of much lower real interest rates. Without this, they will find prosperity elusive.

Clinton - off the right track?

The president's recent defeat in Congress raises serious questions about US policy, say **Bruce Clark** and **Nancy Dunne**

It ought not to be going this way. Bill Clinton, the US president, has been re-elected by a handsome majority and enjoys unusually high approval ratings. In theory, at least, he should be capitalising on his country's happy state of peace and prosperity to concentrate on global "legacy issues" that future generations will judge him by, such as the environment or disarmament.

Against this background, the defeat he suffered this week when Congress failed to muster enough votes to grant him the fast-track authority to negotiate trade deals is a harsh blow. He had previously called fast track one of the cornerstones of his economic policy.

At home, the failure to secure it could weaken Mr Clinton's claim that, as a politician of the centre, he is skilled at managing the potentially difficult relationship between a Democratic administration and a Republican-dominated Congress.

Abroad, the setback is likely to damage his credibility in the eyes of prospective trade deal partners in Latin America and Asia, as well as the European governments who are counting on him to face down Congressional xenophobia and avoid transatlantic rows.

More generally, as Madeleine Albright, the secretary of state, warned in advance of the vote, the result would "signal to a watchful world whether America is approaching the end of the century with well-deserved confidence and pride – or whether our deeper wish is to shrink from the centre stage of world affairs".

But will the setback on fast track really have such wide-ranging consequences for the president? After the event, Mr Clinton was sanguine. He has insisted that fast track will live to fight another day.

After a weekend of desperate bargaining where the White House offered inducements ranging from local construction projects to ambassadorships to reluctant Congressmen, a crestfallen Mr Clinton said it was time to regroup and start the battle anew next year.

"What I think we have to do is try to let the temperature go down and go back to what is actually at stake," he said. "I will be very surprised if we are not successful in developing a bipartisan, constructive, successful approach to fast track before this Congress is over."

So who is right: those who worry that the Clinton second term has been deeply wounded? Or those who think the president can bounce back? And what will be the real consequences?

Start with Mr Clinton's standing with the public. His approval rating has remained remarkably steady this year at about 60 per cent, indicating that he has not suffered significant damage from revelations about fund-raising misdemeanours, or from the approaching law suit over sexual harassment brought by Paula Jones, a woman from his native Arkansas.

But reassuring polls do not, apparently, capture the intense suspicion of the global economy that is harboured by part of the American electorate. This resentment has produced support for the country's newly invigorated trade union movement.

This has had an important political result. Tom Mann, a political analyst at the Brookings Institution, believes that Democratic legislators are more dependent than ever on their traditional backers in organised labour. Corporate donations trailed off after the party lost control of Congress in 1994, and the organisational skills of the unions would be crucial in local campaigns next year. "In mid-term elections with a low turnout, intensive work means everything," he says.

For fast track, next year's Congressional elections (in the view of most observers) will make it harder to push through a measure that has triggered a powerful popular backlash. And there could be wider trade implications. Advocates of free trade are voicing the fear that labour's victory could augur a resurgence of protectionism in the US. Julius Katz, a former deputy trade representative, says unions will "be emboldened by this [victory] and will make a run at trying to turn the clock back, especially if there is a ballooning trade deficit".

More immediately, Mr Clinton's political failure in Congress will cause him embarrassment in several trading forums, notably this month's meeting in Vancouver of the Asia-Pacific Economic Co-operation. It also seems likely he will attend the summit of Latin American leaders in Santiago next March with fewer aces to play than he would like.

The White House had hoped to build on previous successes on trade – securing approval of the North American Free Trade Agreement and the establishment of the World Trade Organisation – to push its agenda in these two bodies. It wanted to use fast track to make sectoral deals in Apec – establishing trans-Pacific free trade in certain goods as a step towards the bloc's goal of free trade by 2020, and, in the Chile meeting, to launch hemisphere-wide negotiations on a free trade area that would enter force in 2005.

It may still be possible to salvage these goals. Peter Hakim, of the Washington-based think-tank Inter-American Dialog, predicts that Latin American leaders "will still have to come to grips with the fact so many of their exports go to the US".

Exactly the same point – the bargaining power that the US always enjoys because of the size of its market – is made in other areas. Some Democrats think the US can and should drive a harder bargain on labour and environment without sacrificing the goal of liberalised trade. Richard Gephardt, the House Democratic leader who has used opposition to the existing fast-track proposal to define himself as a tribune of the people, insisted this week that he would support the president on suitably adjusted terms.

But the past year's experience of formulating trade proposals designed to appeal to all sides of Congress suggests that Republicans will be reluctant to make the kind of concessions that Mr Gephardt wants.

"The Republicans will not compromise on labour and the environment," says a Congressional aide who supports free trade – adding that if the fast track agreement had been aimed solely at the WTO, rather than including other trade arrangements, it would have passed.

The political dexterity needed to secure fast-track approval should not, in most observers' view, have been beyond the ability of a president who excels at deal-making – if only he had focused on the issue earlier. From this perspective, the fast-track failure has as much to with presidential errors of style and priority setting as it has with the difficulties of trade policy.

As Richard Haass, a former State Department official, says, the failure shows the limitations of "an episodic approach to foreign policy", which takes insufficient care to nurture coalitions with Congressmen.

In some ways, the defeat has come at a deeply inconvenient time. It coincides with the appearance of three other dark clouds, of varying sizes, on the global horizon. One is the slide in Asian stock values, which has also caused sharp fluctuations on Wall Street.

"The turmoil on Asian markets has reminded people vividly that they are vulnerable to what happens in other countries, and Americans never like that," says Dan Goure, of the Centre for Strategic and International Studies.

The second is the unprecedented challenge facing Mr Clinton's policy of "dual containment" – hemming in the power of Iraq and Iran – at a time when America's partners in the UN security council, France and Russia, are calling for a softer approach towards both regimes.

But the issue on which he is most vulnerable at home and abroad is probably the third – climate change. This will be the subject of an acrimonious international conference in Kyoto, Japan next month.

Persuading Congress to accept any limit on carbon emissions caused by fossil-fuel burning will require Mr Clinton to use every drop of his presidential authority. The Republican leaders in Congress who provide the president with tactical help on many other issues are unremittingly sceptical about global warming.

Tackling global environmental problems, along with balancing the budget and reforming the welfare system, are the sort of long-term issues upon which second-term presidents should supposedly be focusing.

Mr Clinton has set himself the historic task of redefining the Democratic Party as a more centrist movement, in step with technological change and an increasingly knowledge-based society.

In recent days, however, Democrats have seemed divided and resentful of a president they blame for sacrificing the interests of the poor while embracing a Republican programme.

Sensing that bitterness, Mr Clinton drew the line at granting one of the concessions that the Republicans demanded during the fast-track bargaining – an end to family planning aid for countries that allow abortion.

The president's hope is that some way can be found to reassure his supporters that he cares about the victims of globalisation in the US and elsewhere, without seeming excessively liberal in Republican eyes.

Steve Clemons of the Economic Strategy Institute, a centrist think-tank, says this week's failure could prompt a "step back for a look at manic globalism, a reconsideration of the positive aspects and a look at how to deal better with the casualties".

But with the president's critics savouring the spoils of victory, regaining the initiative in trade policy next year is likely to prove a long, hard struggle. Both sides agree that Mr Clinton would have had a much easier time prevailing if he had kept his eye on the ball in 1997. He now has to live with the consequences of failing to prepare public and Congress for his fast-track request.

· OBSERVER ·

Weld's way with words

■ Step aside, John Grisham. Former Massachusetts governor William Weld, fresh from defeat in his bid to become US ambassador to Mexico, is embarking on a new career – as a novelist.

After scrapping with hawkish Senator Jessie Helms, there was speculation that the ever-quirky 52-year-old would return to his roots by taking a cosy job with a law firm. There was even idle chatter about a bid for the presidency.

But Weld – who once leapt fully clothed into the Charles River to celebrate its environmental clean-up – is as usual going his own way. He's written a political thriller set in Boston and signed a contract with New York publisher Simon & Schuster.

Word has it that friends wanted Weld to write an inside account of his years as a leader of the Republican Party's liberal wing. But the Harvard and Oxford-educated legal eagle decided on something less po-faced. He first put pen to paper in January, shortly after being beaten in a bid to get elected to the senate, and finished writing in March, before he stepped down as governor.

The book probably won't be great literature, but if it is anything like the author it should be an entertaining read. The tentative title is *Mackerel by Moonlight*, and its hero is a candidate for the district attorney's office in Massachusetts.

The political pot-boiler should hit the bookstores next September – and Weld will be out to make a splash.

Clan destiny

■ Lord Inchiquin, chief of the O'Brien clan and the man with the strongest claim to the 1,000-year-old title High King of Ireland, is going transatlantic.

A successful farmer and businessman in County Clare, Inchiquin is a direct descendant of ancient Irish warlord Brian Boru and is inundated with inquires from around the world about the genealogical background of his famous ancestor. So Boru is going on the internet and Inchiquin is setting up an O'Brien Foundation in the US to help bring together the estimated 450,000 O'Briens floating around the world.

"It will be run in a very business-like way," says the clan chief from his ancestral home near Limerick. "O'Brien scholarships and student exchanges will be arranged. There will be a museum and library. We are also planning a big gathering of the O'Brien Clan in County Clare in 1999."

A statue of Boru is to be erected in Kilaloo, County Clare where he was born and, in the ultimate accolade, there's talk of a film starring Liam Neeson. How about Life of Brian II?

Home run

■ Milwaukee Brewers owner Bud Selig reckons he's struck a blow for financial realism by moving his team from baseball's American League to the National League. It may be the first such move this century, but Chevrolet-dealer Selig – one of the game's big-hitters – reckons it's about time baseball moved with the times.

This means reorganising into coherent divisions based on time zones to cash in on lucrative television earnings; the theory runs that baseball needs to play matches at peak times if it's going to take a bigger slice of the revenue cake.

Selig speaks with authority when it comes to making baseball pay. He was instrumental in bringing the Brewers to Milwaukee back in 1970 and has spent the best part of 30 years competing against big-city teams.

The flaw in the argument is that football, America's most commercially successful sport, is hardly a model of rational organisation. Its league system is based on a version of American geography that would shame a five-year-old.

Take the National Football Conference "west" division, dominated this and every other year by the San Francisco 49ers. Who are the 49ers' divisional rivals? Atlanta, Charlotte, New Orleans and St Louis.

Spells trouble

■ Romania's witches and seers have gazed into their crystal balls – and found that the future isn't as rosy as they thought. There are simply too many bogus fortune-tellers in the market and the not-so-mystical law of over-supply has started to take its toll.

So the country's genuine soothsayers have now decided that enough is enough: they've set up a trade union for bone-fide mystics.

"Many people who have got nothing to do with this business are pretending to be able to tell the future and stealing our clients," complains leading clairvoyant Madame Lucretia.

There will be tough entrance requirements and prospective trade unionists will have to prove their ability "to tell the future and lift evil spells". They'll also need couple of passport-sized photographs and a broom.

The Financial Times

100 years ago

Bagot Pneumatic Tyre

At present the name of the Bagot Pneumatic Tyre, Limited, is rather prominently before the Stock Exchange, the rig in the shares having attracted more attention from the Committee than some members have quite liked. This is somewhat unfortunate for M. Louis Maiche, of Paris, whose many inventions, exhibited at Walbrook, we described last Friday; as the gentleman who seems to be acting as sponsor for the attempted Maiche Syndicate is, unless we are much mistaken, the same Captain Bagot who is identified with the somewhat ill-fated tyre.

50 years ago

U.S. Shipping Alarmed

New York: American ship operators, particularly tramps, are alarmed over the prospect that Congress, in the coming session, may approve the Paris proposal to transfer 300 more American ships to the flags of European maritime nations under the Marshall Plan. Steamship Row here is as worried over the transfer plan as over the current sagging freight rates. They point out that by 1951 the proposals would reduce dollar shipping of bulk commodities for European aid in American contract carriers to zero.

FINANCIAL TIMES
Wednesday November 12 1997

Rosneft management seeks MBO partners

By Chrystia Freeland in Moscow

The management of Rosneft, the last big Russian oil company still to be privatised, plans to team up with foreign partners to bid for the group when it goes on the auction block later this year.

Alexander Putilov, Rosneft's chairman, said in an interview the consortium would include at least two western oil companies and at least two western financial investors.

Management hopes of organising a buy-out are a sign of the intensity of the battle for Rosneft, which is shaping up to be Russia's biggest business contest of the year.

Gazprom, the natural gas group, has already declared its hope of adding Rosneft to its empire. Shell and British Petroleum are also thought to be interested. Salomon Brothers, the US investment bank, recently estimated the "identifiable value" of Rosneft at $1.4bn, based on its proven reserves.

The Kremlin plans to sell large stakes in six oil companies, including Rosneft, over the next three months. Russia's budgetary crisis has added urgency to the plan, but the programme could be soured by the global financial downturn which has depressed Russian equities.

Russian stocks fell 4 per cent yesterday, following an 8 per cent drop on Monday. But Maxim Boiko, Russia's privatisation chief, said the government intended to push ahead its privatisation programme.

Mr Putilov would not name the foreign companies he is seeking to draw into the Rosneft management consortium. But he said that if it were to win control, the group's strategy would be to keep Rosneft's subsidiaries in a single group and to preserve the Russian face of the company.

"We are trying to put together a bid with foreign partners," Mr Putilov said. "This will guarantee the independence of the company, its Russian character and its integrity."

Boris Berezovsky, the media and oil tycoon who was recently ousted from the Russian government as part of a battle between Kremlin clans, is also expected to make a bid for Rosneft.

Over the past few months officials from Sibneft, the oil company controlled by Mr Berezovsky, have been moved into executive positions in Rosneft.

Mr Putilov accused the interlopers of seeking to delay the privatisation of Rosneft by slowing down the paperwork necessary to prepare a company for privatisation.

But Mr Boiko insisted Rosneft would be privatised according to schedule, with the open sale of 96.25 per cent of the shares beginning this year and ending by mid-1998.

New tax code needed, Page 2

Blow to US as Egypt says it will boycott conference

By Mark Huband in Cairo

Egypt delivered a blow to US Middle East policy yesterday when it announced it would boycott a Washington-backed economic conference to which Israel was invited. Saudi Arabia, the US's other main Arab ally, has also said it will not attend.

Hosni Mubarak, the Egyptian president, brushed aside intense US pressure on Arab states to attend. The fourth Middle East and North Africa economic (Mena) conference is due to open in the Qatari capital, Doha, on Sunday.

The boycott was in protest at Israel's refusal to abide by US-arranged agreements aimed at securing a lasting peace with its Arab neighbours.

Officials at the US state department were unavailable for comment yesterday, a public holiday. Last week, Martin Indyk, US assistant secretary of state for Middle Eastern and Near Eastern affairs, toured Arab capitals in an effort to reverse decisions by boycotting states and confirm attendance by waverers.

"Egypt will not take part in the Doha conference and will not send a delegation to it," President Mubarak told his ruling party yesterday.

"The aim of an economic conference is to build co-operation between Israel and the Arab community, and this is linked to progress towards peace ... but so far no progress at all has been achieved."

The Egyptian decision was the clearest sign yet of how far Arab-Israeli relations have deteriorated since Israel began a Jewish settlement on Arab land in East Jerusalem in March. This led to an eight-month suspension of peace talks with the Palestinians.

Cairo hosted last year's Mena conference but turned it into a pan-Arab economic gathering in spite of Israel's presence.

In refusing to attend, Mr Mubarak risks reprisals from the US Congress. Some members hinted that a boycott would prompt a review of the annual $2.2bn in US aid Egypt has received since becoming the first Arab state to make peace with Israel in 1979.

The annual Mena gatherings were originally at summit level, starting amid much fanfare in Casablanca in 1994. They were intended to: underpin the Israeli-Palestinian and wider Middle East peace process; create closer economic ties between Israeli and Arab business; and attract foreign investment into the region.

Morocco and the United Arab Emirates were not expected to attend the Doha meeting. Lebanon and Syria, which have not attended previously, will also boycott it.

Brussels supports positive action for women

By Neil Buckley in Brussels and Peter Norman in Bonn

Action to appoint women to public-sector jobs where they are under-represented was backed yesterday by the European Court of Justice – provided the action does not involve rigid quotas.

The surprise ruling ended the uncertainty created by the 1995 "Kalanke" case. The European Court ruling in this case seemed to challenge the right of public authorities to achieve a balance of the sexes by automatically promoting women over equally qualified men.

Yesterday's judgment was hailed by the European Commission as "putting positive action in the European Union back on the rails".

"The court has recognised that certain deep-rooted prejudices and stereotypes as to the role and capacities of women in working life still exist," said Padraig Flynn, EU social affairs commissioner. "It has concluded that priority given to equally qualified women, which is designed to restore the balance, is not contrary to [EU] law."

The case was brought by Hellmut Marschall, a teacher, against the German region of North Rhine-Westphalia.

Mr Marschall complained that, simply because men outnumbered women in his career bracket, a woman had been appointed to a job for which he was equally qualified.

An opinion in May from one of the court's nine advocates-general (advisers to judges) said the North Rhine-Westphalia law should be overturned.

The advocate-general's opinion concurred with the precedent-setting "Kalanke" case of 1995. In this case, it was ruled that a quota system for women introduced by another German region, Bremen, broke EU law. But the Luxembourg-based court yesterday took the unusual step of ignoring the advice and backing North Rhine-Westphalia.

It said the law was acceptable because it did not involve fixed quotas, and allowed men still to be appointed to jobs ahead of women if they could prove they were particularly suited, or had special needs, such as a disability.

Brussels officials said the ruling gave the go-ahead to affirmative action, provided that men would be fairly treated and not automatically excluded from jobs.

The EU's Amsterdam treaty, signed last month, allows EU states to adopt "measures providing for specific advantages in order to make it easier for the under-represented sex to pursue a vocational activity".

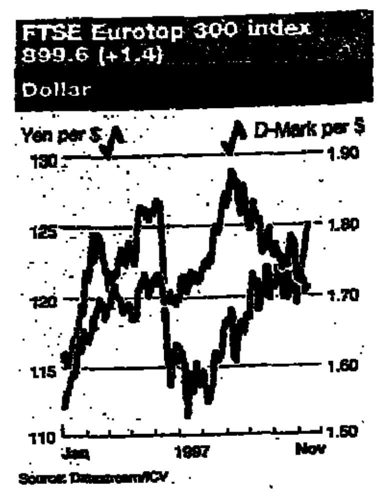
THE LEX COLUMN

Top Marks

Two main factors are driving the currency markets: Japan's fragility and disruption in emerging markets. Unsurprisingly, the loser is the yen, where the two trends converge. Even before the emerging markets touchpaper caught fire, the yen was weak – the function of low interest rates as the Bank of Japan sought to stimulate a flagging economy. Since then it has suffered further hammer blows: leading export markets in Asia have gone into a tailspin, while the domestic outlook has deteriorated. With no fiscal wizardry likely, monetary policy, including a weak yen, will have to remain accommodating.

The winner has been the D-Mark, which has gained ground against both the yen and dollar. The US's close ties to Latin America make it more vulnerable to emerging market fallout than Europe. Monetary policy perceptions have also supported this trend: Germany's pre-emptive decision to raise interest rates in September boosted the credibility of European monetary policy. In the US, by contrast, the concern is that fear of upsetting markets is preventing the Federal Reserve from raising interest rates as it should.

These trends are logical enough. But while continued yen weakness looks likely, the dollar/D-Mark rate is less convincing. Recent data show the US recovery remains robust while Europe's is still spluttering. Add in uncertainty over the euro's anti-inflation credentials and the risk to the D-Mark is that Europe's interest rates may rise more slowly than expected.



Brazil

Bigger, tougher, braver than expected – Brazil's R$20bn ($18bn) austerity package is a laudable attempt to restore confidence in an economy whose twin budget and trade deficits have invited comparisons with Asia's walking wounded. The neat mix of tax increases and spending reductions amounts to a budget cut of nearly 3 per cent of gross domestic product. That should reduce the budget deficit to a reasonable 3.5 per cent of GDP in 1998. The corollary, of course, will be a sharp slowdown in economic growth, from nearly 4 per cent in 1997 to 1 per cent or less next year, rising unemployment and falling consumer spending – a recession in all but name.

The Cardoso government's willingness to dish out such unpopular medicine ahead of an election next October demonstrates its commitment to defending the currency – the centrepiece of its economic policy. Whether this turns out to be less painful than a quick devaluation remains to be seen. But if the package is implemented swiftly, Brazil should be able to bring down interest rates, currently above 40 per cent, and boost economic growth again in 1999. It might even be able to use this crisis to push through structural reforms, such as civil service reform.

Of course, its ability to introduce monetary easing depends on developments in other markets, out of its control. And if the real is, in fact, significantly overvalued, Brazil may have to wear its fiscal straitjacket for longer than planned.

Telecom Italia

How embarrassing! Barely a fortnight after Telecom Italia's mammoth privatisation, its chairman and chief executive are squabbling over how the company should be run. Corporate governance is not an irrelevance – least of all in Italy whose record is so poor. But surely the Italian treasury, which is conducting a governance review, could have put in place a proper system of accountability before selling its shares. Italy's army of small shareholders, who are already sitting on paper losses, can hardly be blamed if they feel confused.

Whether investors will suffer from the dispute is another matter. If the end result is to make the chief executive adequately accountable to the board on Anglo-Saxon lines, shareholders could even gain. But there is a risk that either chairman or chief executive will resign, leading to uncertainty about who is going to run the group.

Some are billing this as a test case for Italian governance. In a sense, it is. The country lacks a tradition of strong boards. In most private companies, the management takes orders directly from cliques of minority shareholders. With a newly privatised group, there can be the opposite problem: the management acting as a law unto itself. Still, making the management accountable to its board would solve only part of Italy's corporate governance puzzle. An even bigger issue is ensuring that boards pursue the interests of all shareholders. With luck, the Treasury's review will tackle that.

Krupp-Thyssen

Investors must watch the horse-trading over who runs Krupp-Thyssen – Krupp's Gerhard Cromme or Thyssen's Dieter Vogel. To get their man at the wheel one company might concede a greater share of the new entity to the other. This would be disgraceful. Future earnings not corporate pride should determine the ownership split.

On the simple basis of relative market capitalisations, Thyssen would own 61 per cent of the new company. With Thyssen's advisers positing a share ratio that implies a 67:33 split, the group is exploiting its strong negotiating position. It has a more compelling stand-alone strategy than Krupp and the balance sheet strength to implement it. More Giddings & Lewis-type acquisitions could bolster its non-steel divisions. And its earnings are not as exposed as Krupp's to the structurally oversupplied European steel market. In short, Krupp, with fewer options and already highly geared, needs the merger more.

It would be a bleak day for corporate Germany if the deal collapsed because of managerial egoism. If these self-styled apostles of shareholder value are serious in saying that they can envisage savings of only DM450m ($263m) from combining the two hulking conglomerates, maybe neither Mr Cromme nor Mr Vogel should be in charge and headhunters should be appointed. Shareholders must hope they have not cut so many deals with trade unions and politicians that the full value of the deal cannot be realised.

Additional Lex on Allied Domecq, Page 19

Germany acts

Continued from Page 1

1998 against faster nominal growth of 4.4 per cent. Six months ago, the commission forecast revenues of DM813.1bn this year and DM843.5bn next year.

The projected revenue loss will hit the federal states or Länder harder than the government in Bonn. While the commission projected federal shortfalls of DM6.7bn this year and DM9.5bn in 1998, Länder losses were put at DM9.1bn and DM10.3bn respectively.

Probe into accounting mergers

Continued from Page 1

of non-audit fees, which is having a real impact. We would be happy to put our case to them if asked."

Critics of the Big Six firms have argued for many years that their increasing reliance on fast-growing fee income from consulting services for clients calls into question their ability to appear independent when carrying out statutory audits.

It is also understood that stock market regulators are concerned they will lack choice when they need to use big firms to police standards – particularly internal controls – and when they need their expertise in corporate rescues or failures. "These issues are very important following the collapse of Barings and BCCI," said one regulator.

Iosco is a club, without any regulatory powers, but is increasingly influential. Its standards are widely imposed by individual regulators. It may make a submission to competition authorities.

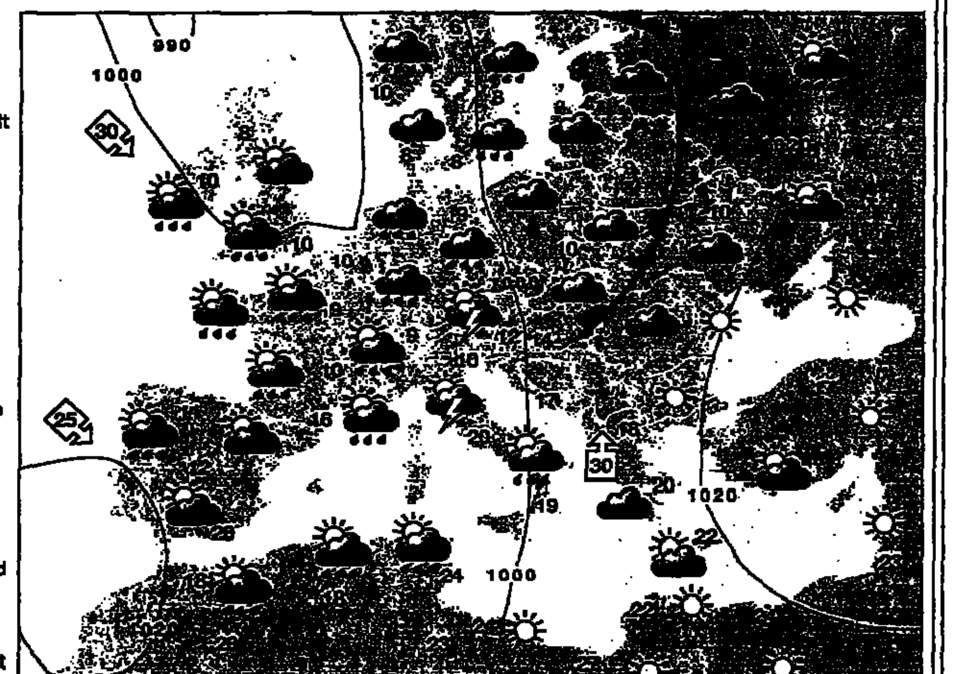
FT WEATHER GUIDE

Europe today

The eastern Mediterranean and south-east Europe will remain quite warm thanks to a southerly airflow. It will be mainly dry with some sunshine, although the Balkans are likely to see some showers. The Czech Republic, Slovakia, Poland, the Ukraine, Belarus, and the Baltic will be relatively mild but largely cloudy with local drizzle. Western Russia will have rain and the far north-east of Europe will be cold and wintry. Meanwhile, central and western Europe and the central and western Mediterranean will stay unsettled and showery, although the Iberian Peninsula will be drier than recently.

Five-day forecast

Low pressure affecting central and western Europe will move slowly east, allowing an anticyclone to build across France and Germany. As a consequence, by Friday much of central and western Europe will be drier and more settled with overnight fog and frost.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum	Beijing	Fair 10	Cardiff	Cloudy 10	Frankfurt	Rain 9	Madrid	Cloudy 13	Rangoon	Fair 31
	Celsius	Belfast	Shower 9	Casablanca	Fair 21	Geneva	Cloudy 9	Majorca	Thunder 18	Reykjavik	Cloudy 4
Abu Dhabi	Sun 30	Belgrade	Cloudy 20	Chicago	Fair 1	Gibraltar	Fair 20	Malta	Fair 24	Rio	Thunder 28
Accra	Fair 32	Berlin	Cloudy 8	Cologne	Rain 9	Glasgow	Cloudy 10	Manchester	Cloudy 10	Rome	Thunder 20
Algiers	Thunder 15	Bermuda	Fair 24	Dakar	Sun 32	Hamburg	Cloudy 8	Manila	Fair 29	S. Frsco	Sun 19
Amsterdam	Shower 11	Bogota	Shower 19	Dallas	Shower 18	Helsinki	Cloudy 4	Melbourne	Fair 22	Seoul	Rain 17
Athens	Cloudy 20	Bombay	Thunder 35	Delhi	Fair 27	Hong Kong	Fair 27	Mexico City	Thunder 23	Singapore	Thunder 32
Atlanta	Rain 15	Brussels	Drzzl 10	Dubai	Fair 32	Honolulu	Fair 30	Miami	Fair 30	Stockholm	Rain 8
B. Aires	Fair 24	Budapest	Cloudy 15	Dublin	Fair 9	Istanbul	Fair 17	Milan	Rain 12	Strasbourg	Shower 9
B.ham	Fair 9	C.hagen	Cloudy 8	Dubrovnik	Thunder 19	Jakarta	Thunder 33	Montreal	Snow 2	Sydney	Thunder 25
Bangkok	Fair 33	Cairo	Sun 25	Edinburgh	Fair 10	Jersey	Cloudy 12	Moscow	Rain 7	Tangier	Shower 19
Barcelona	Fair 17	Caracas	Fair 31	Faro	Cloudy 20	Johannesburg	Shower 22	Munich	Rain 8	Tel Aviv	Sun 25
						Karachi	Sun 33	Nairobi	Shower 25	Tokyo	Fair 17
						Kuwait	Fair 25	Naples	Thunder 22	Toronto	Fair 3
						L. Angeles	Fair 18	Nassau	Thunder 28	Vancouver	Fair 9
						Las Palmas	Fair 25	New York	Fair 8	Venice	Thunder 14
						Lima	Fair 26	Nice	Thunder 18	Vienna	Rain 13
						Lisbon	Cloudy 17	Nicosia	Sun 24	Warsaw	Cloudy 10
						London	Fair 11	Oslo	Rain 5	Washington	Fair 13
						Lux.bourg	Rain 8	Paris	Rain 10	Wellington	Shower 17
						Lyon	Shower 11	Perth	Thunder 25	Winnipeg	Snow 0
						Madeira	Cloudy 22	Prague	Cloudy 9	Zurich	Rain 9

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 12 1997 — Week 46

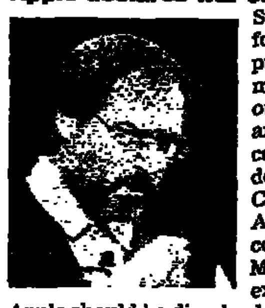
INSIDE

Time 'is right' for a Nordic union

Analysts expressed reservations at plans to merge Nordbanken, Sweden's third largest bank, and Merita, Finland's dominant lender. But Hans Dalborg, Nordbanken's chief executive, says the time is right for a deal that will create the Nordic region's biggest bank in equity terms. Page 16

New MCI bid gets cautious reaction
If WorldCom's $51 a share bid for MCI Communications is so certain, why has MCI's stock stubbornly remained nearly $10 lower? In part it is because of the time the $37bn deal will take to win regulatory approval. But either MCI or WorldCom investors might reject the deal if the latter's stock price falls too far. Page 18

Apple declares war on Dell



Steve Jobs, left, co-founder of Apple Computer, was in melodramatic mood when he outlined plans to turn around the struggling company. Mr Jobs declared "war" on Dell Computer, one of Apple's most successful competitors, because Michael Dell, Dell chief executive, had said Apple should be dissolved. But Mr Jobs' theatricals belie his company's uncertain future and the market was unimpressed. Page 14

Amoco operations under threat in Egypt
Egypt's leading foreign oil company, Amoco, may have to wind up its operations in the country within four years because extraction will be unprofitable. Page 24

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 24

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	138.5	+	2.5
Douglas	65.5	+	2.35
Henkel	95	+	1.7
Falls			
Adidas	250.8	–	17
Beiersdorf	73	–	2.5
Schwarz Pharm	120.7	–	3.3
NEW YORK ($)			
Rises			
Catalina Mkt	46½	+	1¼
PowerGen	40⅛	+	2¼
Sprint	55⅜	+	2½
Falls			
Pennzoil	67⅛	–	7¼
Seitel Inc	33⅞	–	5⅞
Unit Auto	16⅛	–	2⅞
LONDON (Pence)			
Rises			
Bett Bros	187½	+	20½
Mermer-Sam	254	+	49
Pycraft & Arnld	811½	+	10½
Staffware	318	+	25½
Falls			
Indl Control	49	–	8½
Kentokil	237	–	7
TORONTO (C$)			
Rises			
Gold Res	7.1	+	0.55
Optima Petp	3.7	+	0.45
Meridian Gold	5.75	+	0.35

Falls			
Amer Mineral	4.05	–	0.45
Dundee Banc	36.5	–	3.0
Etruscan Res	4.55	–	0.45
TOKYO (Yen)			
Rises			
Amada	636	+	37
Asahi Glass	620	+	40
Daiken Inds	629	+	35
Fuji Bank	914	+	69
Seiyo Food	572	+	52
Falls			
Yamaha Mtr	895	–	30
HONG KONG (HK$)			
Rises			
HSBC Hld	178.5	+	2.5
Falls			
China Light	35.7	–	0.7
Hang Seng	62.75	–	1.5
New Asia A	15.1	–	1.4
SHK Ppt	51.0	–	2.5
Sime Dar	3.83	–	0.22
BANGKOK (Baht)			
Rises			
Mandarin Htl	11.0	+	1.0
PAE	11.0	+	1.0
Post Publish	33.25	+	3.0
Thai Toray	39.5	+	3.25
Falls			
Dhana Siam	24.0	–	3.75
Thai Farmers	85.5	–	9.5

New York & Toronto prices at 12.30pm. Paris closed

ING makes $5.5bn bid for BBL

By George Graham in London and Neil Buckley in Brussels

ING, the Dutch banking and insurance group, last night launched a $5.5bn offer for Banque Bruxelles Lambert, Belgium's third largest bank, in the biggest cross-border bid seen in the European banking sector.

The offer, involving a combination of ING shares and warrants, brought an end to weeks of speculation over the future of BBL.

BBL's board will consider the bid today, but no decision by the bank's big shareholders will be taken until Monday when the board will meet again.

ING controls 20 per cent of BBL. To succeed in its bid, it must win support from the consortium of Belgian shareholders headed by Albert Frère, the former steel tycoon.

BBL has had a complex and unstable shareholder structure since 1992 when Baron Frère led a shareholder revolt that defeated ING's first takeover bid, valued at BFr3,600 per share. Today, the shares are worth BFr9,000.

Two Frère companies - Groupe Bruxelles Lambert and Royale Belge - hold more than 24.7 per cent of BBL. A joint control agreement made in 1995 with Crédit Communal, the Belgian municipally-owned bank now allied with France's Crédit Local to form the Dexia group, took the Frère bloc effectively to 37 per cent.

The consortium has come under attack from Karel Van Miert, EU competition commissioner.

The same partners are also linked with ING and Winterthur, the Swiss insurer, in a nine-year-old shareholder syndicate obliging any member disposing of its stake to sell a certain portion to other syndicate members.

ING is expected to offer BBL's management a considerable degree of autonomy as well as the prospect of taking the lead in the combined group's expansion into France.

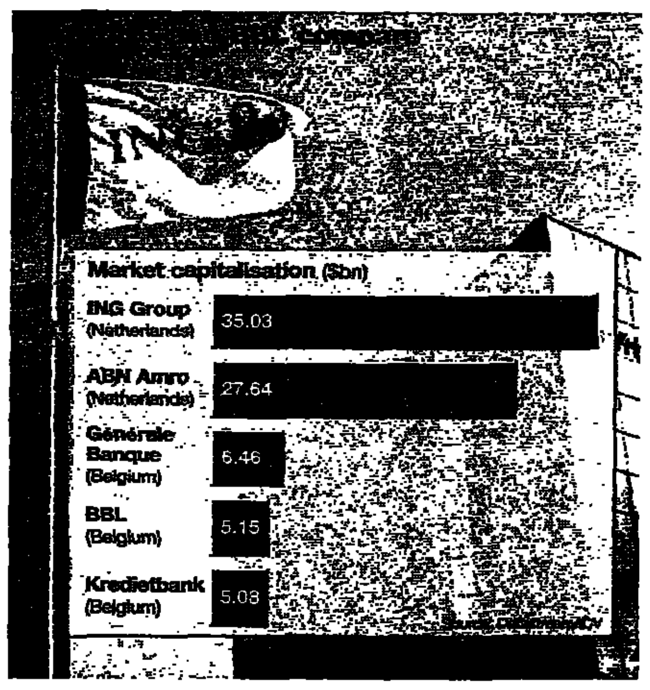
Baron Frère, Dexia and Winterthur are both thought to be willing to sell.

But a successful ING takeover of BBL would be a blow to the Belgian government, pressed hard for the creation of a *Grande Banque Belge* big enough to compete in a single-currency Europe – and to Générale de Banque, Belgium's biggest bank and favoured candidate for a merger with BBL. But talks were blocked by ING's refusal to see its 20 per cent stake in BBL diluted.

A deal with ING would create a powerful Benelux financial services business with the potential to expand south into France.

BBL is advised by J.P. Morgan.

Survey on Belgium, Section III



Warning by BMW on bid for Vickers

By John Griffiths and Roger Taylor in London

BMW, the German carmaker, last night warned it would terminate its contract to supply engines for a new range of Rolls-Royce cars if Mayflower, the UK engineering company, mounted a successful bid for Vickers, which owns the UK motor manufacturer.

Mayflower said last night that it was continuing to evaluate its options. It had been looking to underwrite a rights issue to fund a bid but the BMW announcement is likely to prove a fatal blow to such plans.

Also the company has made clear it would not proceed in the face of opposition from BMW.

BMW reconfirmed its own interest in buying Rolls-Royce, and again rejected speculation that it might tacitly support a takeover by Mayflower. Bernd Pischetsrieder, BMW's chairman, is privately said to be furious at the Mayflower intervention and the Munich-based company stated categorically that "we are not involved in any Mayflower bid for Vickers".

Mayflower, the fast-growing engineering group, which is little more than half Vickers' size, had been widely expected to mount a hostile takeover before the end of the week.

BMW, through its Rover subsidiary, is one of Mayflower's largest customers. Mayflower supplies body panels for Land Rover models and complete bodies for Rover's highly successful MGF sports car range.

Mayflower also has the contract to develop and supply much of the bodywork for the new Rolls-Royce range, giving it a a major stake in the future of Rolls-Royce.

Mayflower was aware that a bid would be unpopular with BMW but until last night had appeared prepared to gamble that BMW would not terminate its engines contract.

Mayflower had proposed to buy the whole of Vickers, sell the defence arm and keep the three other divisions – Rolls-Royce, Cosworth engines and propulsion technology. Before yesterday's announcement some of its biggest shareholders had supported its plans.

Other potential bidders for Rolls-Royce are understood to include Daimler-Benz and Ford.

Brussels set to agree P&O and Stena merger

By Charles Batchelor in London

The European Commission is poised to allow the two leading ferry companies that compete with the Channel tunnel to merge their operations – with a review after three years.

Brussels will clear the merger between Peninsular & Oriental Steam Navigation and Stena Line after more than a year's delay. But the Commission has decided to review conditions in the cross-Channel ferry market after the planned abolition of duty-free sales on June 30 1999.

The Monopolies and Mergers Commission, the UK competition regulator, is expected to impose a price-capping regime on the companies' merged operations to avoid steep price increases. The ferry companies will probably raise prices to compensate for the loss of duty-free revenues.

The two ferry groups first announced plans for a merger in October 1996 with the aim of countering competition from the Channel tunnel, which opened in May 1994.

They had initially hoped that the merger would be cleared before the 1997 summer season but there have been repeated delays.

P&O said yesterday: "We have been in discussions with the European Commission in the normal way and they finished their inquiries with us some four to five weeks ago. The MMC report was sent to the government before the election in May."

The ferry companies have known for several months that conditions would be attached to the merger of their operations in the eastern Channel into a single fleet of 14 ships.

They are also expected to keep the joint venture separate from their other activities, in particular ferry services between the UK and Ireland and the UK and the Netherlands.

Conditional approval for a deal with a three-year review of how markets have developed was a standard approach by the European Commission, industry executives said. But while it would be fairly easy for Brussels to remove any conditions it applied, it would be harder to impose further conditions after that time.

Eurotunnel will today reveal its third-quarter revenue and passenger numbers, which are expected to show a continuing recovery after last November's tunnel fire.

If the abolition of duty free is confirmed, it will hit the ferry companies harder than their rival because they are more dependent than Eurotunnel on duty-free sales.

However, the European Court yesterday rejected an attempt by Eurotunnel to bring forward the date for abolition.

Eastman Kodak to cut workforce by 10,000

Competition from rival Fuji prompts plan to reduce costs by $1bn a year

By Richard Waters in New York

Eastman Kodak yesterday announced plans to cut 10,000 jobs, or roughly one in 10 of its workforce, in an attempt to buttress its business against successful inroads made recently by its Japanese rival, Fuji.

The US photographic products company also unveiled a partial retreat from digital photography, an area which one day could take over from the traditional silver halide film business on which it was founded. Digital photography is expected to cost Kodak $400m in development spending and losses this year.

Kodak's actions are part of a plan to slash $1bn from its annual costs by the end of the decade, and mark the latest in a round of job cuts that has continued in corporate America in spite of the generally high level of profitability among US companies.

Citicorp, the banking group, said last month that it would reduce its workforce by 9,000, while Levi Strauss, the clothing group, announced plans to cut 10,000 jobs.

Yesterday's news had been foreshadowed by a sharp deterioration in Kodak's share of US film sales this year, and an earlier warning that it would take action to halt the slide. The first hint of the extent of this came last month with the news that 200 middle and senior managers would lose their jobs, or one in five of the top management ranks. The cuts will come worldwide and will affect all parts of the company's business.

Despite yesterday's moves, Wall Street continued to express doubts about Kodak's ability to reverse the situation. The company's shares had fallen $4\frac{11}{16}$, or 7 per cent, to $61\frac{1}{16}$ by early afternoon in New York.

Mr George Fisher, the chairman who until recent months had been credited with breathing new life into the struggling company, said Kodak would not change its focus on photography – the business to which he returned it earlier in the 1990s by shedding some of its other activities, such as healthcare.

But he said that the market for digital photography – which is based on capturing images on a microchip rather than on traditional film – had been slower to develop than the company had expected, and that Kodak would cut back in some areas, such as in the development of digital cameras and scanners.

At the same time, Kodak said it would step up its fight against Fuji. This would involve more advertising to promote the company's famous yellow film box, though executives continued to say that they would not be drawn into across-the-board price cuts to match steps taken by the Japanese company.

Kodak said the workforce reductions announced yesterday would prompt a pre-tax charge of at least $1bn, or $2 a share, against profits in the final quarter of this year.

Barry Riley

Turning the fables on the Goldilocks scenario

Until recently stock market historians have drawn heavily on the relatively benign precedent of the 1960s to gain insight into the "Goldilocks" scenario of steady economic growth, low inflation and interest rates and high equity valuations.

The 1960s, after all, spawned the phenomenon of the "nifty fifty" superstocks that dominated Wall Street, just as a broader grouping of global "nifties" have come to prominence in the past year or two.

The Far Eastern meltdown, however, has stimulated perusal of less comforting precedents. Strategists have been thumbing, for instance, through 1930s textbooks to find combinations of deflation, excess capacity and beggar-my-neighbour currency devaluations of the kind sweeping Asia. The afflicted economies are hoping to export their way out of trouble by selling to the US, but the American willingness to accept a $300bn trade gap may be absent. There is no Smoots-Hawley protectionist disaster on the horizon, but Congress has refused to cede "fast-track" trade negotiating powers to the president.

Some say that, instead of such a depression, we face a protracted 1974-style monetary squeeze when stock markets were pushed relentlessly down in the context of contraction of the real money supply, generating a credit crunch. When debt has to be repaid, borrowers are forced to liquidate assets wherever they can – often on the stock market, which usually remains open when real estate markets, for instance, are paralysed.

We see parallels in some Asian economies. The reappearance of queues of panicky bank depositors in Hong Kong and Indonesia is a reminder of the bad old days before central bank governors became so wise and powerful. This panic is not a widespread problem, but worldwide liquidity growth has slowed sharply this year and credit spreads have widened sharply. Should we, though, look back further?

> The past does not tell us anything reliable about the stock market's prospects for the end of the 1990s

The previous great period of globalisation towards the end of the 19th century led to a falling prices, known as the Great Slump – although, in real terms, the global economy was expanding.

Certainly telecoms imperialists are battling for territory, with echoes of last century's railroad kings. That is the glamorous part (even if the railroads seldom made much money). But established manufacturing industries face a crisis of falling prices. This week, for instance, we have seen the agony of Eastman Kodak, which is going through a further round of cutbacks to remain competitive with Fuji and other rivals. Yesterday Kodak announced a $1bn restructuring charge and 10,000 job losses.

We should, perhaps, be just as cautious about investing in western companies in manufacturing sectors as Victorians ought to have been about putting money into agricultural enterprises, being buried by cheap food from North America and elsewhere. In New York, at any rate, there is some apprehension about corporate earnings prospects, although the third quarter reporting season has just wrapped up, showing underlying year-on-year earnings per share growth of 12 per cent.

Goldilocks evidently survives, but is the porridge in the corporate sector getting too cold? The consensus top-down expectation of a 7.5 per cent earnings gain in 1998 accepts likely deceleration, although the bottom-up forecasts are often much higher (up some 16 per cent as calculated by analysts at J.P. Morgan, for instance). But bears such as Martin Barnes, editor of the Bank Credit Analyst, think zero growth a more probable outcome.

As usual, the past does not tell us anything reliable about the stock market's prospects for the end of the 1990s. Deflation in raw materials and traded goods is of only limited relevance in today's advanced economies dominated by services, and, therefore, by labour costs. If only the late 1990s would turn out like the mid-1990s. Unfortunately history does not repeat itself – except, they say, as tragedy or farce.

GM faces $3bn restructuring charge

By Richard Waters in New York

General Motors said it expected to take a restructuring charge of $2bn-$3bn after tax, in the latest move by the giant US car maker to turn round its lumbering North American and European operations.

The charge, to be taken this year or early in 1998, reflects a redoubling of efforts by Jack Smith, chairman, to bring costs into line with competitors, a task which has been made harder by a recent loss of market share in both the US and Europe.

The disclosure of the charge came in a regulatory filing in the US, made in connection with the sale of its Hughes aerospace business.

That is expected to produce profits of more than $4bn to offset the restructuring charge.

A GM spokeswoman said the charge to profits sprang from a review of "areas that are uncompetitive or not as efficient as they could be," and reflected both "capacity and efficiency issues in Europe and North America".

This exercise has already led to a number of actions that are covered by the charge.

They include the loss of 1,900 jobs from a plant in Antwerp, Belgium, and the disposal of three businesses by Delphi, GM's parts business.

"We're still going through this process, and identifying actions that will come out," the spokeswoman said.

The charge, equivalent to $2.85-$4.25 a share, will be taken when the review is completed, either later this year or early in 1998, GM said.

The company's shares fell $1 13/16 to $63¾ yesterday morning in New York, in part because of a caution issued in a meeting with analysts by Mike Losh, the company's chief financial officer.

Mr Losh said the intense competition in the US small car market meant that incentives in the final three months of this year may be higher than they were in the previous quarter – a change from GM's earlier guidance, which suggested that they might fall. Also, a slowdown in Brazil may hurt operations there, he said.

GM has been suffering, like all other big car makers, from the severe over-capacity and fierce competition in the west European industry.

In sales it remains second to the Volkswagen group, but its market share has been slipping for much of the year. It reported a $21m loss on its European operations for the third quarter.

While Antwerp is the only clearly identified target for cuts so far, unions at its principal European subsidiary, Adam Opel, fear that GM is planning to cut a further 10,000-12,000 jobs across the region within the next few years.

Jack Smith: redoubled efforts to bring GM's costs in line

Apple chief has Dell in his sights

Plans to revive the group include an assault on one of its most successful rivals

Steve Jobs, co-founder of Apple Computer, was in melodramatic mood when he addressed a gathering of 2,000 Apple employees, Apple users and journalists on Monday to outline plans for a turnround at the struggling company.

Speaking from the stage where he launched the original Apple Macintosh PC 13 years ago, Mr Jobs, who returned after a long absence to take over the leadership of Apple four months ago, declared "war" on Dell Computer, one of Apple's most successful competitors.

"We are coming after you, buddy," Mr Jobs declared as he displayed a huge image of Michael Dell, Dell founder and chief executive, with a target superimposed on his face.

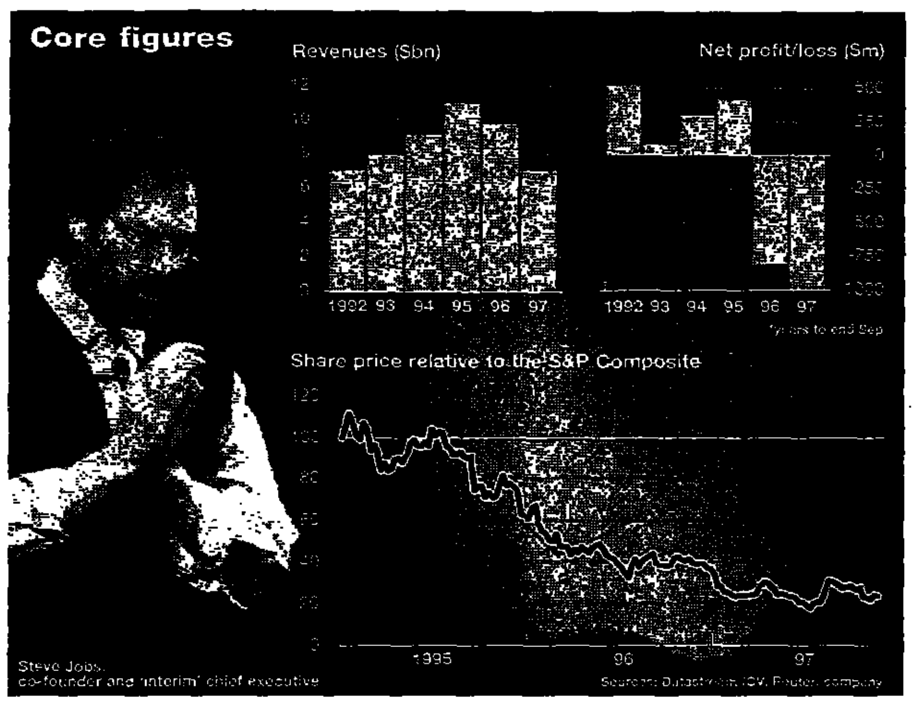
Mr Dell became the target of Apple's ire, Mr Jobs said, because he had refused to retract a statement that Apple should be dissolved. "I'd shut it down and give the money back to the shareholders," Mr Dell said last month.

Mr Jobs' theatrics belie his company's uncertain future. Apple has seen its share of the personal computer market drop to less than 4 per cent; its revenues have declined sharply over the past year; and hopes of profitability in the current quarter have been abandoned.

Moreover, Apple's "counter culture" image has been tarnished by a recent pact with Microsoft – its long-time nemesis – in which Microsoft took a small equity stake in Apple and the companies settled a patent dispute. The move was unpopular with many Apple supporters, who booed and hissed when Mr Jobs announced the agreement.

In what appears to be an attempt to provide a new rallying cry for Apple supporters, Mr Jobs is playing up the apparent row with Dell – no matter that many other executives in the PC industry have voiced similarly pessimistic comments about Apple, or that Dell is just one of half-a-dozen PC manufacturers that are winning over Apple customers.

However, there is a business rationale behind the anti-Dell campaign. On Monday, Apple opened its first "internet store", a web site through which customers can order "built-to-order" Macintosh computers, software and related products.



Steve Jobs, co-founder and 'interim' chief executive

In this regard Apple is emulating Dell's highly successful "direct" sales model. Dell has amassed nearly $1bn in sales via the internet this year, about 10 per cent of its total sales.

The Apple web site, while featuring more attractive graphics than Dell's internet store, offers essentially the same functions as those offered by Dell.

While praising Apple's move into internet sales, analysts warned the company risked antagonising its established retail dealers. In particular, dealers specialising in Apple products, such as ComputerWare in the US, may be threatened by the web site sales, said Tim Bajarin, president of Creative Strategies, a market research group.

Apple's shift in sales strategy comes as the company is struggling to differentiate its products from PCs based on Intel microprocessors and running the Microsoft Windows operating system.

The company recently launched a huge advertising campaign with the theme "Think Different", aiming to play up its appeal to customers who want to buck the industry trend.

Yet as Mr Jobs presented new desktop and portable models of the Macintosh this week, it was the similarities, rather than any differences, to competing products that stood out.

The Apple machines, based on a new, faster version of the PowerPC chip co-developed by Apple, International Business Machines and Motorola, ran identical software faster than models from Compaq Computer in Mr Jobs' demonstrations.

Apple's shares dropped $2 11/16, or 13 per cent, following Mr Jobs presentation on Monday and were down a further $¼ yesterday morning, at $18¼. Financial analysts were disappointed that Mr Jobs did not mention plans for a Macintosh "network computer" – a low-cost internet terminal that Apple is believed to have under development.

Nor did Mr Jobs clarify his future role at Apple. In spite of taking over the leadership of the company, he has hinted he may not stay as chief executive beyond the end of the year.

But rumours to the contrary have slowed efforts by Apple to find a new chief executive to replace Gil Amelio, who resigned, under pressure from Apple's board, four months ago.

Louise Kehoe

Fidelity likely to decide ITT vote

By William Lewis in New York

The future owner of ITT Corporation is likely to be settled today at its annual meeting in New York City with all eyes on Fidelity, the Boston-based fund management group which is the largest shareholder in the hotel and gaming group.

Despite hints from Barry Sternlicht, chairman of Starwood Lodging, the property group, that Fidelity had chosen to support his company's $85 a share – or $10.2bn – bid for ITT against a rival $80 a share offer tabled by Hilton Hotels, Fidelity has declined to comment on how its fund managers are likely to vote the 14 per cent of ITT they own.

The second largest ITT shareholder is said by the company to be Alliance Capital Management, the New York-based fund manager, which holds around 3.5 per cent of the shares. Arbitrageurs are thought to hold up to 40 per cent of ITT's shares.

Both Hilton and Starwood said yesterday they were optimistic going into the meeting, but ITT said: "It is too close to call".

On Monday Hilton, which launched its attempt to acquire ITT in January, took steps to reinforce the claims of its president and chief executive, Stephen Bollenbach, that Hilton will withdraw its $9.3bn cash and stock bid if it fails to win the support of shareholders at today's meeting.

Earlier this month Hilton raised its original bid for a second time, despite earlier comments from Mr Bollenbach that the company would not increase the value of its offer.

On Monday, Hilton announced that its offer would terminate automatically if a majority of ITT's directors were re-elected at the meeting rather than Hilton nominees.

Nevertheless, investors remain sceptical and suggest that Hilton could still come back with a new offer after the meeting, possibly with a partner.

ITT has agreed to be acquired by Starwood, but has also said that it is in "auction mode" and that it expects Hilton to once again raise its bid.

At the meeting Rand Araskog, ITT chairman, Mr Bollenbach and Mr Sternlicht, are all likely to make speeches before the shareholder poll. ITT is expecting up to 750 shareholders to attend, more than seven times the usual amount at the meeting.

The meeting is expected to last for approximately two hours. Depending on how close the vote is, ITT says a preliminary announcement could be made during the afternoon, although it could take several days before the final result is announced.

Higher margins help lift Wal-Mart

By Nikki Tait in Chicago

Improved margins and a turnround in its international operations allowed Wal-Mart Stores, the largest US retailer, to report a 15.8 per cent increase in after-tax profits, at $792m, in the three months to the end of October, up from $684m in the same period a year earlier.

The result brings profits for the first nine months to $2.24bn, 14 per cent higher than the $1.96bn at the same stage in 1996.

The third-quarter result translated into earnings per share of 35 cents, slightly higher than most analysts had been expecting. The average estimate, according to the First Call research agency, was pitched at about 34 cents. Wal-Mart shares gained $⅜ to $37⅜ in early trading.

During the quarter, the Arkansas-based retailer reported total sales of $28.8bn, up more than 12 per cent. The core domestic Wal-Mart division saw operating profits rise 18 per cent to $1.45bn, compared with a 12 per cent sales gain. The Sam's warehouse club division enjoyed improved gross margins, with profits up 11 per cent at $230m, compared with sales up 3 per cent.

On the international side – which now takes in stores in China, Indonesia, South America, Mexico, Canada and Puerto Rico – there was a small operating profit of $52m in the third quarter, on sales of $1.78bn. This compared with a $15m operating loss a year ago. The international division made an operating profit of $85m in the first nine months of 1997-98, compared with a $41m loss a year ago.

In an upbeat statement, David Glass, chief executive, said operating income across all divisions had grown faster than sales, and that domestic inventory had fallen in dollar terms, despite the increase in sales. Wal-Mart, he added, expected "continued double-digit growth" in sales and earnings as it went into the critical holiday shopping season.

By contrast, third-quarter results at J. C. Penney, the Texas-based department stores and catalogue retailer, were pegged back by restructuring charges, prompting the company to post after-tax profits of $113m, down from $236m a year ago.

This caused after-tax profits for the first nine months of the year to dip to $342m, from $471m previously.

The company said that at the operating level, profits improved from $503m to $540m, although this was largely because of the performance of its Eckerd drugstores and the insurance operations.

The J. C. Penney stores, coupled with the catalogue operations, managed a 0.8 per cent sales decline, while third-quarter operating profits eased back from $431m to $420m.

However, the company sounded a more encouraging note over the coming quarter saying that the outlook was "positive for each of our businesses". Third-quarter earnings per share of 85 cents were slightly below analysts' expectations of about 86 cents.

Reform urged for US 'closed-end' funds

By John Authers in New York

Changes to the laws governing US "closed-end" investment funds are needed to protect liquidity in emerging stock markets, a leading fund manager claimed yesterday.

Mark Mobius, of Templeton Investment Management, the largest US fund manager to specialise in emerging markets, said closed-end funds should be given broader powers to manage their share price, in line with the freedoms enjoyed by investment trusts, their UK counterparts. These freedoms should include the possibility for funds to buy back their own stock, he added.

In the US, closed-end funds have approximately $200bn in assets under management, according to Lipper Analytical, the New York-based research firm. They differ from the more widely held mutual funds in that they are traded independently on the market, like normal shares.

This means they can often trade at a discount to the underlying net asset value of the investment portfolio. However, they have the advantage of allowing managers to invest in illiquid emerging markets without needing to guard against redemptions by investors.

Mr Mobius, whose company offers both mutual and closed-end funds, said: "Closed-end funds serve a very vital function, particularly at times when you see liquidity drying up in these markets. This is the time when closed-end funds can go in and buy very cheaply, while the open-ended funds are fearful of redemptions and have to hold back."

Estimates by AMG Data of California, which tracks mutual fund cash flows, suggest mutual funds have suffered significant net redemptions since the south-east Asian currency crisis began in Thailand in early August.

Mr Mobius claimed: "The problem is that the investors and the authorities are beginning to put pressure on closed-end funds to open those funds when they sell at a discount. I believe this is a very dangerous trend."

AMERICAS NEWS DIGEST

MGM scales back offering

An initial public offering of shares in Metro-Goldwyn-Mayer, the famous Hollywood studio, is to be priced after the close of business on the New York stock exchange today, with trading due to begin tomorrow. The IPO, originally for 12.5m shares with a potential value of $250m, was reduced to 9m shares on Monday, amid indications that investor interest in MGM, which has a chequered history, was not sufficient to justify the higher offer. However, the original indicative price range of $20-$23 a share remains.

The reduction in the size of the IPO means MGM's owners – Seven Network, an Australian media group, and Tracinda, run by Kirk Kerkorian, the US investor – will retain 86.5 per cent of the company rather than 81.2 per cent.

Vincent Boland, London

■ VEHICLE PARTS

Federal-Mogul in overhaul

Federal-Mogul, the Michigan-based automotive parts supplier which recently made a $2.5bn recommended bid for the UK's T&N group, yesterday announced an overhaul of its aftermarket distribution system. The company said it would close about a dozen additional service centre locations across the country, as part of its plan to move to a "hub and spoke" system. The new network will take in six hubs and 29 spokes – including a new upgraded hub facility in LaGrange, Indiana, and an additional hub to be established next year. The company also said that it had closed distribution centres in Singapore and Malaysia, and now intends to serve south-east Asia from its sales office in Singapore, coupled with shipments from Florida and Belgium.

Nikki Tait, Chicago

■ MEDIA

Microsoft, Softbank revamp

Microsoft, the US software giant and Softbank, the troubled Japanese multimedia group, are to combine some of their newsgathering operations in order to offer broader content without incurring further losses. The deal involves MSNBC, the cable television channel and internet news site run as a joint venture between Microsoft and the NBC network, and Softbank Ziff-Davis, the publishing arm of the Japanese group.

In the first stage, announced yesterday, MSNBC, a rival to CNN, will provide general news in return for technology news from Ziff-Davis which it will incorporate in its news services. Financial terms were not disclosed. The deal allows the two multimedia ventures, which are both losing money although they own two of the ten busiest news web sites, to broaden coverage without further investment. MSNBC and Ziff-Davis, although they recently ended an agreement for Ziff-Davis to provide a technology news show for the MSNBC cable channel, are also expected to co-operate on video feeds from next year.

Nicholas Denton, San Francisco

■ TELECOMMUNICATIONS

Heart surgery for Telmex chief

Carlos Slim, chairman of the Mexican telecommunications company Telmex and Latin America's wealthiest businessman, underwent heart surgery in the US last month and is recovering from complications including pneumonia, according to a statement released by his office.

Mr Slim, who is 57, also heads Grupo Carso, Mexico's largest conglomerate. The US magazine Forbes estimates Mr Slim's net worth at $6.6bn, making him the fifth richest man in the world.

News of Mr Slim's illness hit Carso's shares on the Mexican stock market, where they were down 1.33 per cent at mid-day. However, Telmex, the stock market's bellwether stock, was up 1.59 per cent. Traders said a prolonged illness would affect investor confidence in Carso, given Mr Slim's pivotal role in managing the group and his reputation for being Mexico's most successful investor. "People pay for Carlos Slim," one New York analyst said yesterday. Carso's market capitalisation, currently about $7bn, is almost $2bn more than the sum of its assets.

Leslie Crawford, Mexico City

■ FASHION

Hilfiger to diversify

Tommy Hilfiger, the US fashion designer, has appointed the William Morris Agency, the Hollywood talent agents, to advise it on plans to diversify into the music, film and television markets. During the 1990s, Hilfiger has become one of the world's fastest-growing fashion labels, largely because of its success at exploiting the popularity of its clothing among rap and hip-hop stars in the US.

The brand's links with the black music market were originally forged by the rapport between Tommy Hilfiger, the company's chairman, and Russell Simmons, founder of Def Jam Records, the hip-hop record label controlled by PolyGram. Morris's roster of clients includes Hollywood stars such as George Clooney and Uma Thurman. The Hilfiger group is now expanding its core clothing business outside the US by opening new stores in locations such as Hong Kong, Mexico City and London.

Alice Rawsthorn, London

■ COPPER

Codelco ahead at nine months

Chile's state-owned copper corporation Codelco reported an increase in its nine-month earnings and said its current sales campaign was going well despite the recent upheaval in Asian markets.

Codelco chief financial officer Albert Cussen said the copper group had earned $896m in the nine months to the end of September, up from $833m in the same period last year. However, after all the special taxes and contributions the company must pay to the Chilean state, the net result would be $311m, he said.

Codelco, the world's biggest producer of copper, produced 907,538 tonnes during the period, up from 889,080 tonnes last year. Sales rose to $2.66bn from $2.16bn.

Reuters, Santiago

Norwegian bank takeover in doubt

By Greg McIvor in Stockholm

A NKr5.16bn ($741m) friendly takeover bid by Sparebanken NOR, the Norwegian savings bank, for Fokus Bank, a smaller commercial lender, was in doubt last night after it failed to win approval from a minority shareholder.

A tie-up between the two would fuel consolidation of Norway's fragmented banking industry, creating Norway's third largest financial services group after Den norske Bank and Christiania Bank.

But Sparebanken NOR said it was dropping the bid because of opposition from Sparebankgruppen, a group of 16 regional savings banks which together control 27 per cent of Fokus's equity.

Sparebanken NOR and Fokus said they would start talks aimed at establishing operational co-operation instead.

However, Sparebankgruppen, which earlier this year failed in a NKr4.8bn hostile takeover bid for Fokus, insisted it had not rejected the offer. It said it had not been given enough time to respond, and was still studying the proposal.

A Sparebankgruppen spokesman said it had been "completely impossible" to respond to the bid in the time given. It had been informed of the terms late on Monday afternoon and told to respond by 10am the next day, the spokesman said.

Sparebankgruppen said it regarded Sparebanken NOR's bid as still valid but signalled it regarded the price as too low.

It suggested Sparebanken NOR's NKr77 a share bid had the same value as its NKr73 a share offer in April because Fokus's net asset value had risen in the meantime.

At that time, Fokus rejected Sparebankgruppen's bid as too low.

Peter Thorne, banking analyst at Paribas Capital Markets in London, expressed regret that a consolidation opportunity might have evaporated. "Any amalgamation of banks in Norway will create some shareholder value, and consolidation is very necessary," he said.

Fokus had feared it would be broken up by Sparebankgruppen, whereas it would survive largely intact after being swallowed by Sparebanken NOR. The acquisition would create little operational overlap and would not lead to mass branch closures and job losses at Fokus because the two operate in largely different regional markets.

Fokus is located mainly in western Norway while Sparebanken NOR is based in the south-east.

Sparebanken NOR has stressed it would gain a national presence by acquiring Fokus. It has predicted synergies would flow from cross-selling and the centralisation of processing functions.

Merrill Lynch is advising Sparebanken NOR and J. P. Morgan is adviser to Fokus.

Libyans take 5% of Banca di Roma

By James Blitz in Rome

More than 8 per cent of the share capital in newly-refinanced Banca di Roma, Italy's second largest banking group, has been placed with leading institutions from Libya, Abu Dhabi and Saudi Arabia ahead of this month's public share offer.

In the wake of the decision by Consob, the Italian stock market authority, to give final approval to publication of the bank's prospectus, it has emerged that three institutions – the Libyan Arab Foreign Bank, the Abu Dhabi Investment Authority and the National Commercial Bank based in Jeddah – have taken significant stakes as core shareholders.

The Libyan investors will take 5 per cent for about L700bn ($417m). Abu Dhabi Investment Authority will have 1 per cent and National Commercial Bank, 2.2 per cent.

Senior advisers to Banca di Roma stressed yesterday that the Libyan participation in the refinancing operation, which involves a capital increase of some L2,000bn, did not contravene international law.

However, Cesare Geronzi, Banca di Roma president, said none of the Arab investors would have a seat on the board of the revamped bank. Instead, their investments are categorised as private placements by institutions seeking to be core shareholders.

Business relations between Italy and Libya have been close for much of the past 40 years. Eni, Italy's state-controlled gas and oil conglomerate, has substantial interests in Libya.

It is understood that several Libyan trading organisations are seeking to invest substantial cash funds in Italy, while other core investments reflect the particularly close ties between Banca di Roma and the rest of the Arab world.

The announcement coincides with the publication by Banca di Roma of the timetable for the public offer, which will help to recapitalise the bank after a first-half loss of L2,794bn.

Details of the full offer are to be announced on Saturday. The bookbuilding and roadshows will start on Monday and the public offer, to be handled by Mediobanca, Goldman Sachs and Schroders, will close on November 28.

Italian newspapers yesterday suggested that around 44.8 per cent of the bank would be offered to prospective institutional and retail shareholders, with Italian domestic investors being offered the equity at a special discount price.

The rest of the capital is to be partly held by two strategic shareholders, the Ente Cassa di Risparmio di Roma holding company (32.7 per cent) and Toro Assicurazioni, the insurance company owned by the Fiat car group (8.3 per cent). The other core investors, Credito Italiano, Banca Commerciale Italiana and Electronic Data Systems of the US, will each take 2 per cent.

Nordic banks expect happy union

Merger with Merita will bring most long-term benefits, says Nordbanken chief

When Hans Dalborg wants to emphasise the benefits of a merger between Nordbanken and Merita he reverts to counting on his fingers.

The chief executive of Nordbanken, Sweden's third largest bank, says he can count on one hand enough good reasons to join forces with Finland's dominant lender, in a deal creating the Nordic region's biggest bank in equity terms.

"The scepticism has gone among banking analysts, we have convinced them that this is the right move at the right time," according to Mr Dalborg, one of northern Europe's most respected bankers.

Initially, some analysts expressed reservations about combining a predominantly domestic Swedish lender with a Finnish rival, itself the product of the merger of the country's two largest banks in 1993, that appears unwieldy and less profitable than it should be.

But Mr Dalborg is unfazed by their concerns. He accepts that Nordbanken might have enjoyed greater cost benefits by merging with SE-Banken, as it considered earlier this year. But he maintains that MeritaNordbanken will be a happier union in the long run.

When the merger was announced last month, several analysts warned that the SKr970m ($130m) annual cost savings expected from the deal might not be realised for up to three years. In that time the consolidation wave sweeping the Scandinavian banking industry might have overtaken MeritaNordbanken, with rivals such as Svenska Handelsbanken or Föreningsparbanken expanding into markets such as Norway, Denmark and the Baltic states.

Mr Dalborg is not ready to let that happen, and has already hinted that MeritaNordbanken would seek to broaden its alliance to include another Nordic partner. Some observers believe it has already set it sights on Unidanmark, the Danish lender.

First the chief executive-designate of MeritaNordbanken – ruling over an empire with more than SKr800bn in assets and a market capitalisation of about SKr80bn – has to consummate the marriage of the Swedish and Finnish banks. Senior colleagues say he plans to do so by repeating the restructuring which rescued Nordbanken from its near-death experience in the early 1990s.

Nordbanken – the product of several smaller Swedish banks merged by the state during the last banking crisis – has been transformed into one of the most profitable in the sector, through a combination of heavy cost-cutting and a focus on selected banking services, particularly mortgage lending and small business customers.

The chief executive of the enlarged bank is expected to reiterate his ambitions for MeritaNordbanken today, when it publishes its prospectus on the merger.

Outlining what needs to be done, he quotes Mao: "It will be the tyranny of many small steps."

As a first step, senior executives of the enlarged bank will be asked to review the profitability of its three main profit centres – retail banking, corporate banking and real estate.

In retail banking, Merita will have the opportunity to roll out Nordbanken's successful specialised financial packages across its branches – involving the cross-selling of products such as home loans and credit cards. For its part, Merita's well-established mutual funds and life insurance operations can be distributed through Nordbanken's branch network, bolstering an area where the Swedish bank is weaker.

On the corporate side, Mr Dalborg wants to build up the underdeveloped stockbroking and corporate finance activities. "In these areas it is not good enough to be one among many, you have to have a unique competence."

Meanwhile, he has begun to consider how best the enlarged bank can withdraw from the real estate market, dominated by a Merita property portfolio worth an estimated SKr35bn. That could involve a demerger and listing of a new property company, or a piecemeal sale of some of Helsinki's most valuable buildings.

Either way, it appears to be a non-core business for MeritaNordbanken and could prove a distraction if not disposed of.

If the bank successfully winds down its real estate operations and reduces administrative overlap elsewhere sooner than expected, the savings could be greater than expected.

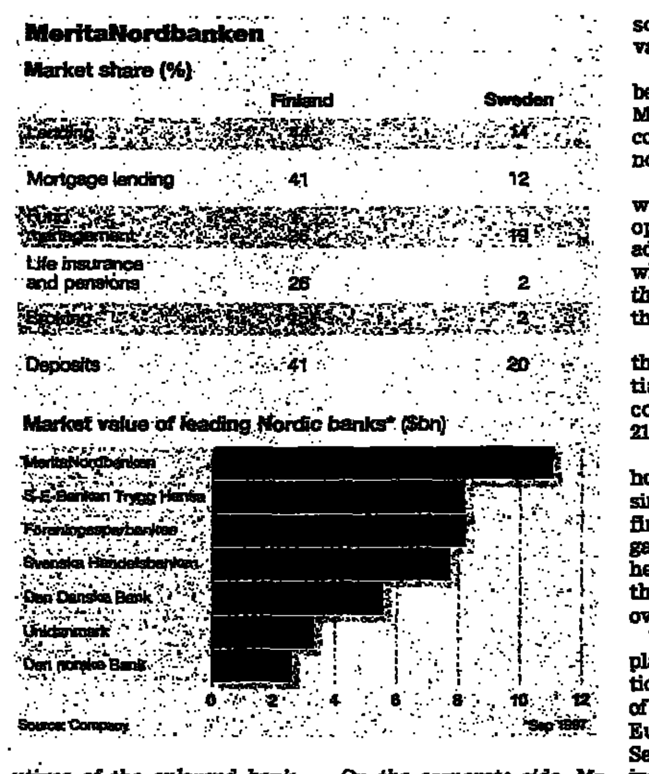
There could also be more than the 1,200 job losses initially predicted from the combined workforce of 21,000.

The new chief executive, however, denies that he is simply engaged in a piece of financial engineering. The gains for MeritaNordbanken, he maintains, will be greater than merely stripping out overlap.

It aims to be an innovative player in the Nordic and Baltic region, particularly ahead of the launch in 1999 of the European single currency. Senior executives have been instructed to draw up plans to make MeritaNordbanken a market leader in electronic banking in Scandinavia. That will involve pushing Merita's internet services across Sweden and possibly beyond. Nordbanken, meanwhile, hopes to export its successful telephone banking services to Finland.

"Today, out of all our costs, 20-25 per cent is IT related," says Mr Dalborg. "While we have our work cut out elsewhere, the future lies in electronic banking and it could be one of our most powerful assets."

Tim Burt



Top executives clash at Telecom Italia

By Paul Betts in Milan

Telecom Italia's top two executives are at loggerheads over corporate governance, barely two weeks after the successful L26,000bn ($15.5bn) privatisation of the telecommunications group.

A clash has erupted between Guido Rossi, chairman, and Tomaso Tommasi di Vignano, chief executive.

Mr Rossi, a former head of the Italian stock market watchdog Consob, was parachuted in to the telecoms group in January to mastermind the country's most ambitious privatisation. He now wants to give greater powers to the board to provide checks and balances on the senior management of a company with 1.5m new small shareholders.

However, his proposals – including more regular board meetings with more direct board involvement in the company's affairs – are being resisted by senior management, led by Mr Tommasi.

Some Telecom Italia executives also say the management is failing to shed the group's traditional monopoly culture.

Mr Rossi has argued that Telecom Italia must strengthen itself through international partnerships.

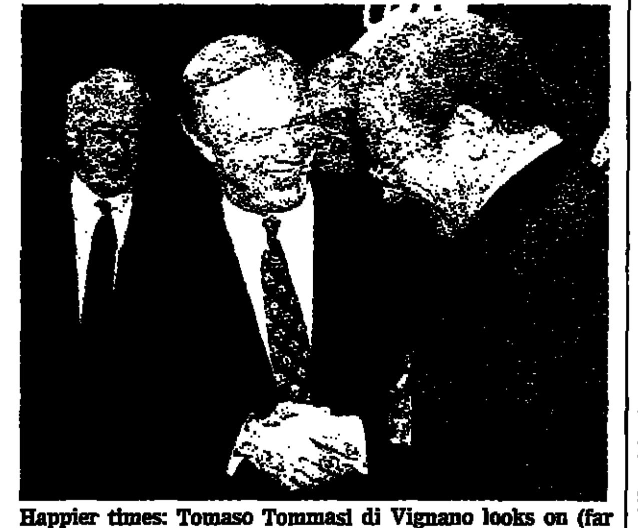
He has also campaigned for the introduction of modern corporate governance rules to protect the interests of small shareholders in a system dominated by a small number of large family shareholders and their banking allies.

Mr Rossi had planned to step down as chairman after the flotation, but has decided to stay on to complete the transformation of the monopoly into a competitive company.

He raised the issue at Telecom Italia's first shareholders' meeting as a privatised company on October 31. He said then that the corporate governance of a public company "imposed quite simply a proper management of the company under the careful control of its board members with the maximum transparency".

A few weeks before the Telecom Italia flotation, Mr Rossi told a telecoms conference in Venice that privatisation was an opportunity to modernise the structure of Italian capitalism.

He attacked the traditional system under which private companies are controlled through shareholding syndicates and holding companies, enabling a small group of core shareholders to maintain a grip on management.



Happier times: Tomaso Tommasi di Vignano looks on (far left) as Guido Rossi (right) strikes a deal with John Walter, then president of AT&T

Lex, Page 12

Trustor traces lost SKr135m to London bank

By Greg McIvor in Stockholm

Trustor, the Swedish investment company at the centre of cash misappropriation allegations, said yesterday that about SKr135m ($18m) of SKr620m missing from company accounts was in a Barclays Bank account in London and would be repatriated to Sweden as soon as possible.

The company also said it had received information that a "not insignificant sum" was in another foreign bank account.

Swedish and UK police are investigating the disappearance of SKr620m from Trustor's Barclays account in London after Lord Moyne, of the Guinness brewing dynasty, acquired a controlling stake in June.

Trustor confirmed it had received audited information about transactions made via the Barclays account from Lindsay Smallbone, Trustor's former managing director. But it said the material was impossible to verify.

Björn Björnsson, Trustor's acting managing director, said efforts were continuing to clarify Trustor's financial status. He travelled to London yesterday.

He hoped detailed information could be presented to shareholders in time for an extraordinary shareholders' meeting on November 26.

Trustor's shares remained suspended in Stockholm yesterday for the 12th successive day. Meanwhile, the Stockholm stock exchange announced it was launching its own investigation into Trustor's financial affairs.

In Finland, Amer, the sports goods company which owns the US-based Wilson brand, said it had received a court summons from two minority shareholders demanding it to be put into liquidation in connection with Lord Moyne's attempt to buy a controlling stake in Amer in June.

Eternelli, a company, and Ari Neuvonen, an individual – together holding 0.02 per cent of Amer's capital – allege that Amer's controlling shareholders abused their position when approving a buy-back by the company of shares which they had sold to Lord Moyne.

Lord Moyne purchased a 58.4 per cent stake in Amer from the controlling shareholders, but the deal was cancelled when he failed to provide bank guarantees. Amer later redeemed part of the controlling shareholders' stake. Amer said the allegations lacked foundation and it would contest the case.

EUROPEAN NEWS DIGEST

AssiDomän shares slip

Shares in Swedish forestry company AssiDomän slipped yesterday after it posted lower-than-expected nine-month results. At the close in Stockholm, the shares were off SKr4 at SKr201 after a low for the day of SKr195. The company reported a 23 per cent fall in profits after financial items, to SKr1.24bn ($165m) for the first nine months, compared with expectations of SKr1.39bn. "It's a bit below expectations, that's for sure. But it has more to do with what forestry has been doing in the past two to three weeks. There is nervousness surrounding forestry shares," Mats Ericsson of brokerage Aragon said.

Meanwhile, UPM-Kymmene of Finland surprised the markets with stronger-than-expected figures for the first nine months. It reported profits after financial items of FM4.68bn ($907m) compared with FM2.94bn last time. Sales were FM37.74bn compared with FM38.29bn and earnings per share surged 56.5 per cent to FM13.74. The surge was partly explained by capital gains, with the company noting that lower prices for magazine paper and newsprint had affected profitability. Packaging materials showed lower operating profit than in the first nine months of last year, while the other divisions improved their profitability, it said. Excluding capital gains, group profitability began to show a clear improvement from the second quarter onwards, the company added. The shares closed down FM2.10 at FM116. *Agencies*

■ ISRAEL

Teva reports 74% surge

Teva, the Israeli pharmaceuticals group, yesterday reported a 74 per cent rise in net income for the first nine months, which it attributed to improved productivity, rationalisation of product lines and mergers. Net income surged from $43.1m to $101.24m, with the 1996 figure including a one-time pre-tax charge of $19.8m for the acquisition of Biocraft, the US drugs company.

Revenues during the first nine months rose 22 per cent, from $676.1m to $824.9m, with a sharp rise in sales to North America and Europe. Sales to North America rose 26 per cent, from $322.4m to $406m, and accounted for nearly 50 per cent of Teva's total revenues. Sales to Europe, meanwhile, jumped 38 per cent from $108.5m to $149m, accounting for 18 per cent of the total. Sales in Israel rose 7.4 per cent, from $208.2m to $225.6m, in spite of price erosion which Teva offset with an increase in unit sales. International sales are expected to rise in the coming year as Teva launches Copaxone, its multiple sclerosis drug, in the US as well as Canada, which has the highest rate of multiple sclerosis in the world. Teva is still awaiting approval in Europe and the UK, where it could challenge Betaseron, the multiple sclerosis drug produced by Schering, the German company.

Judy Dempsey, Jerusalem

■ HUNGARY

Export rise for Gedeon Richter

Gedeon Richter, the Hungarian pharmaceutical company, yesterday posted net profit of Ft 14bn ($76.5m) for the first nine months, up 23.6 per cent in dollar terms on the corresponding period last year. Nine-month sales rose 14.3 per cent in dollar terms to Ft 38bn ($208m), underpinned by exports worth $147m, up 19 per cent on 1996. The company noted strong demand from the CIS states, where sales rose 39 per cent to $72m. The results were slightly better than expected, with net profit growth some 4 percentage points above forecast, said Tamas Szalai, equity analyst with Concorde Securities.

■ A domestic consortium led by insurance company Atlasz is to buy Hungary's PK Bank, the last state-owned bank to be privatised. The state privatisation agency APV said yesterday the consortium was the sole bidder in the open tender, offering Ft 6.2bn ($31.5m)for a 62 per cent stake with a face value of Ft 3.8bn. The 11-member consortium is understood to include Postabank Securities, a subsidiary of Postabank, Hungary's second largest commercial bank, which received government support after a run on deposits earlier this year.

■ The domestic retail offering in Hungarian telecoms group Matav closed last night with 20.7m shares – 2 per cent of the total equity – almost three times subscribed. A total of 155,000 retail investorsapplied for 57m shares. Hungarian privatisation agency APV will decide tomorrow on the number of shares to allocate from the 4 per cent over-allotment option. Between 20 and 27 per cent of Matav is up for sale in globaland domestic offerings, expected to fetch up to $1.2bn. *Kester Eddy, Budapest*

■ SWITZERLAND

Union Bank surmounts turmoil

Union Bank of Switzerland yesterday became the first of the big three Swiss banks to comment on the impact of recent upheaval in the financial markets by saying it had "successfully managed" the turbulence. Although it did not release full third-quarter figures, it indicated that operating profit rose 19 per cent in the first nine months of 1997, while operating expenses grew 22 per cent. Its revenue growth had been hit by already announced losses on equity derivatives trading in the second quarter. However, the group's fee and commission income, which accounts for a bigger proportion of revenues than in the other two banks, grew 40 per cent.

John Leonard, of Salomon Brothers, has raised his 1997 net income estimate for UBS to SFr3.4bn ($2.4bn), but expects profits to slip by around 10 per cent in 1998. Last week Swiss Bank Corporation, which is far more dependent on trading profits than UBS, reported that its ordinary income in the first nine months had risen 34 per cent.

■ Kuoni, the international long-haul tour operator, lifted net profits by 35 per cent, to SFr83m ($59m), in the first nine months of 1997 and expects to increase its full-year profits by at least 30 per cent. The group, whose profits have been recovering strongly since the arrival of a new management team in 1995, has turned around its loss-making Swiss travel business, raised margins in its other retailing, business travel and tour-operating companies, and made a number of small acquisitions. In the first nine months of 1997 its revenues rose 23 per cent to SFr3.2bn, of which 12.2 per cent reflected internal growth, 5.7 per cent currency changes and 5.3 per cent acquisitions.

William Hall, Zurich

PLDT authorised to lift tariffs

By Justin Marozzi in Manila

Shares in Philippine Long Distance Telephone Company, the country's largest telecoms group, surged 7 per cent in early trading yesterday after the group announced it had been given the go-ahead to raise tariffs to compensate for declining international accounting rates.

The shares closed up 35 pesos at 850 pesos, a gain of more than 4 per cent in a stock market ahead 0.6 per cent.

The National Telecommunications Commission, the government regulator, has allowed PLDT to increase fixed monthly rates in two stages expected to begin early next month.

Under the first, it can lift fees for residential and business customers by 18 per cent and 12 per cent, respectively. After eight months, it can make a further increases of 8 per cent and 6 per cent.

For domestic long-distance tariffs, PLDT will be allowed to charge between 3 pesos and 6 pesos a minute, compared with the present range of 1.5 pesos to 8 pesos. International long-distance tariffs will be set within a range of US$0.10 to US$0.30 for each six-second pulse.

PLDT has been lobbying the NTC for approval to lift tariffs – by 45 per cent for the basic monthly charge and 35 per cent for national long-distance calls – as well as calling for a 21 per cent cut in international rates. However, analysts had expected no decision until next year, possibly after presidential elections next May.

"We can probably implement these new rates starting early December," said Miguel Villanueva, head of PLDT's pricing division.

Analysts welcomed the announcement, which they said would help lift 1998 earnings by 30 per cent. Tariff restructuring has been a priority for PLDT, particularly because international calls currently represent 52 per cent of group revenues.

The introduction of call metering, a politically sensitive issue, will be deferred until early 1999 at the latest, PLDT said. "This should be viewed positively by the market," said Alex Connor, analyst at Indosuez W. I. Carr in Manila. "The extent of the increase for local service is in line with expectations, but there appears to be more freedom in the setting of domestic and international tariffs than expected."

Amid the crisis in the region's financial markets, PLDT has emerged as a leading defensive stock.

Analysts said the group's exposure to dollar-denominated debt was straining its balance sheet, but the company could manage that by reducing capital expenditure if necessary.

Acquisitions behind surge at Shiseido

By Bethan Hutton in Tokyo

Shiseido, the leading Japanese cosmetics company, is on course for record full-year profits after acquisitions and overseas growth boosted group pre-tax profits 9.3 per cent to Y21.95bn ($177m) in the first half.

Sales rose 9.6 per cent to Y310.47bn, and net profits totalled Y9.41bn. Shiseido did not report consolidated interim net profits last year.

At the parent level, net profits improved 6.1 per cent to Y8.51bn, while pre-tax profits were 5.1 per cent higher at Y16.91bn.

Sales increased 6 per cent to Y205.9bn.

"The overseas business is really driving sales and profits," said Toshiko Binder, retail analyst at HSBC James Capel in Tokyo.

Shiseido bought the Japan division of the Helene Curtis range of professional haircare products from Unilever earlier this year, after buying the US and Canada divisions of the Helene Curtis business in November 1996.

As part of a five-year plan formulated in 1996, Shiseido aims to increase overseas sales to one-quarter of overall sales. In the first half, overseas sales expanded from 10.9 per cent to 13.4 per cent of the total, helped by the Helene Curtis acquisition and the launch of lower-cost ranges in Asia.

Retail conditions in Japan during the six months were depressed by the increase in the consumption tax in April, but cosmetics did not seem to be hit as badly as some more expensive items. Shiseido also appeared to increase domestic market share, Ms Binder said.

The company expects parent company sales to grow 2.1 per cent for the full year, with net profits up 6.1 per cent to Y17.0bn and pre-tax profits up 6.3 per cent to Y34.5bn.

Group net profits are forecast to climb 9.7 per cent to Y21.0bn, and pre-tax profits 4.9 per cent to Y43.0bn.

Group sales should grow 7 per cent to Y680.0bn.

International attraction: Shiseido lifted overseas sales to 13.4 per cent of total revenues

Shiseido said it was considering liquidating two finance-related companies during the year, which could lead to an extraordinary loss of Y17bn-Y18bn. The company said this would be offset by the sale of securities.

The interim dividend remained unchanged at Y6.25, but Shiseido said it planned to raise the final dividend by Y0.75 to Y7, for a total of Y13.25. The company was also considering a share buy-back.

Despite the results, Shiseido shares fell Y30, or 1.8 per cent, to Y1,640.

Currency crisis leads to fall at Astra

By Sander Thoenes in Jakarta

Astra International, the Indonesian carmaker, reported a 4 per cent drop in net profits yesterday as a currency crisis took its toll on sales and interest payments.

Net profits for the third quarter fell from Rp340.85bn to Rp326.89bn ($98.6m), on revenues up from Rp9,100bn to Rp10,800bn.

Earnings per share tumbled from Rp391 to Rp187.

Analysts suggested that exposure to hard-currency debt, which rose sharply in value as the rupiah lost 30 per cent in recent months, was a significant cause of the profits decline.

Toyota-Astra Motor, Astra's largest unit which produces the popular Kijang model, last week reported a 28 per cent drop in unit sales in October from September, though still up 20.5 per cent from October 1996.

The depreciation of the rupiah has made imported parts of the assembled Kijang more expensive, while rises in interest rates have made car loans prohibitively expensive.

Astra shares fell 2.2 per cent to Rp2,225 yesterday after having tumbled 9 per cent on Monday during another downturn in markets across south-east Asia.

The market was not even cheered yesterday by a 64 per cent increase in nine-month year-on-year net profit for Bank Dagang Negara, the banking arm of Indonesia's Gajah Tunggal Group. BDNI said net income for the nine months to September 30 rose to Rp201.6bn, from Rp123.4bn.

US dollar loans amount to 45 per cent of the bank's borrowings, leaving analysts worried BDNI, like many of its competitors, is heavily exposed to the rupiah's depreciation.

BDNI used an exchange rate of 3,275 rupiah to the US dollar, while the rate was close to 3,700 for part of September, leading some to conclude that the figures understated the impact of depreciation.

The stock market was also hit by reports that workers had gone on strike at the East Java plant of Gudang Garam, the cigarette maker, although the company said the employees had returned to work.

Brokers fear that many more listed companies could be hit by demands for wage increases following an increase in staple food prices in recent weeks.

New World posts 27% rise

By Louise Lucas in Hong Kong

New World Development, the Hong Kong-based property conglomerate, yesterday reported a 27.7 per cent rise in net profits, from HK$4.16bn to HK$5.31bn (US$687m) for the year ending June 30.

The results, bolstered by HK$1.31bn exceptional items from a placement of a subsidiary's shares and the sale of overseas hotel interests, were broadly in line with market expectations. Operating profit (before interest) climbed a more modest 1.9 per cent, from HK$4.87bn to HK$4.96bn.

New World derives about half of its operating profit from property sales. Rental income counts for more than one-third, and the remainder comes from hotels, construction and piling, and toll roads and bridges.

The property sales, combined with disposal of hotel interests, helped to reduce the company's gearing ratio to 28.7 per cent (before the final dividend payout), from 37.5 per cent in the previous financial year.

High borrowing levels in the current high-interest-rate environment are one of the factors depressing sentiment on property developers, but New World said its net borrowings had been reduced by 1.4 per cent to HK$18.97bn. The company plans to raise more funds through the spin-off of its services arm. New World Services spans construction, property management and electrical engineering, and is expected to have a total issued share capital value of around HK$4bn.

New World also said it planned to spin off divisions within its China property businesses as these activities mature. "Financially, the [overall] restructuring enables the company's different business divisions to raise funds independently, especially our China investments," it said. The company remained upbeat for the future, despite souring sentiment on the property sector, in part because of its landbanks in Hong Kong and China. In Hong Kong, New World has a total landbank of 18.3m sq ft, and in China 194.8m sq ft.

Earnings per share for the financial year rose 19 per cent on a fully diluted basis, from HK$2.40 to HK$2.85.

New World Infrastructure, spun off in 1995, reported growth of 35 per cent in net profits, from HK$454.2m to HK$612.44m. Earnings per share were up 18 per cent, from HK$0.66 to HK$0.78.

ASIA-PACIFIC NEWS DIGEST

Japan carmaker names new chief

Mitsubishi Motors, one of Japan's leading vehicle makers, named Katsuhiko Kawasoe as its new president, following the resignation of its current president because of the company's involvement in a corporate racketeer scandal.

Mr Kawasoe, whose appointment will be formalised at at the end of this month, is managing director in charge of passenger car production. He is to take over from Takemune Kimura, who is to become chairman but not a representative director. Mr Kimura resigned from the presidency to take responsibility for Mitsubishi's involvement in payments to a corporate racketeer.

Three Mitsubishi Motors executives have been arrested for the payments, which are illegal under Japanese commercial law. The carmaker had paid the racketeer since 1989.

Michiyo Nakamoto, Tokyo

■ INDIA

East India Hotels down 10%

Declining business traffic depressed first-half profits at East India Hotels, which owns India's Oberoi hotel chain.

Pre-tax profits fell 10 per cent to Rs528m ($14.4m) in the six months to September 30 on revenues down 0.5% at Rs1.96bn. The company blamed poor conditions in the domestic economy. Mr Gangopadhaya, company secretary, said the group had been hit by "the overall economic situation and the political situation".

Occupancy rates fell to 70 per cent in August 1997, compared with 75 per cent in August 1996, but Mr Gangopadhaya said the group was hopeful that India's economic recovery would take hold and that occupancy rates would rise. He said the company could "match the same standard as last year" in the second half.

Analysts said East India Hotels shared the same problems as other hotel chains in India. Weak business demand has led to competition through discounts, which further reduces profits. Tourists are also deterred by high prices, which are increasingly uncompetitive compared with rival destinations in south-east Asia. As a result, hotel shares – which once traded as premium growth stocks – have underperformed the market since the start of this year. However, analysts said East India Hotels was shielded from the decline in tourist traffic, as the Oberoi hotels cater mainly to business travellers.

The company is pushing ahead with expansion – including a new hotel in Madras – and considering projects in Jaipur, Udaipur and Cochin. Ajay Malpani, analyst at Caspian Securities, said the aim was to create an "all-India presence". This would allow the group to compete head-to-head with the Taj chain, which is owned by Indian Hotels and announces its results today.

Krishna Guha, Bombay

■ MALAYSIA

Truck project launched

Malaysia unveiled yesterday a national project to produce 24,000 light trucks a year, partly for export.

The truck, the Perkasa, is manufactured by Malaysian Truck and Bus, a joint venture in which DRB-Hicom, Malaysia's leading industrial company, has an 80 per cent stake and Isuzu, the Japanese vehicle manufacturer, holds 20 per cent. The initial investment – in a plant in Pahang, central Malaysia – is M$300m (US$91.3m).

DRB-Hicom is also the parent company of Proton, Malaysia's national carmaker. The main export markets for the truck have been identified as Singapore, Brunei, Hong Kong, Australia and New Zealand.

James Kynge, Kuala Lumpur

■ EVEREADY INDUSTRIES INDIA

Higher tea prices lift profits

A leap in tea prices and production, together with increased sales of dry-cell batteries, helped Eveready Industries India report first-half results well above market expectations. Pre-tax profits increased 41.32 per cent to Rs489m ($13.4m) on total income up 14.77 per cent at Rs3.42bn. Net profits jumped 71 per cent to Rs323m. The group warned that the "tea business being seasonal, the first-half results should not be seen as representative of the likely results for the whole year".

Shares in Eveready rose Rs2.95 to Rs82.95.

Kunal Bose, Calcutta

MCI has chosen a new partner, but the $37bn deal still faces a number of hurdles

Doubts remain over all-stock offer

By Richard Waters and William Lewis in New York

The day after what appeared to be a $37bn knock-out blow in the battle for MCI Communications, Wall Street was left yesterday to ponder an uncomfortable question: if WorldCom's $51 a share bid is so certain, then why has MCI's stock stubbornly remained nearly $10 lower?

WorldCom's offer has won the support of both MCI's board and British Telecommunications, which owns 20 per cent of the company and which will receive cash, rather than the stock offered to other shareholders, if the deal is successfully completed.

The transaction is also the subject of a battery of break-up fees. These appear to all but lock the merger in place against any competing offer by GTE or another telecoms company.

Today BT will receive a cash payment of $465m from WorldCom – a break-up fee for having given up its agreed merger deal with MCI. If the WorldCom-MCI deal fails BT will receive another $250m from WorldCom and MCI will be paid $1.6bn in liquidated damages.

MCI and WorldCom have also agreed to pay $750m to each other if either pulls out, and MCI has also agreed to refund the $465m which WorldCom is paying to BT if it terminates its agreement with WorldCom.

Furthermore, BT has agreed not to vote its 20 per cent MCI shareholding for any other deal for about a year.

By early afternoon in New York yesterday, however, MCI's stock was trading at $41½. That is nearly $5 up from its level before the new offer was announced, but still nearly 20 per cent below the supposed value of WorldCom's bid.

That discrepancy in part reflects the time it will take for the deal to win regulatory approval.

According to Tom Burnett, founder of Merger Insight, an institutional research firm that tracks takeovers, a closing date for the deal of next July – the time frame suggested by WorldCom executives – would put a present value on the $51 offer of around $48¾.

The large discount to that, Mr Burnett adds, reflects "the market's distrust of where WorldCom's stock may be heading."

Signed but not settled: Bert Roberts (left), MCI chairman, and Bernard Ebbers, WorldCom chief executive Reuters

That has left a continuing question mark over MCI's ultimate fate, and could yet open the door to GTE or other rival bidders in the months ahead. Yesterday afternoon, shares in Mississippi-based WorldCom were trading at close to the $29 floor at which the value of the WorldCom bid is "guaranteed": below that, MCI shareholders will receive a fixed exchange ratio of 1.7586 for each share they own.

The best hope for GTE and other rivals is that the stock will be close to, or below, the $29 floor when shareholders in WorldCom and MCI are asked to vote on the deal.

If the stock is below this level, MCI's shareholders may mount a revolt – particularly since GTE indicated over the weekend that it might pay as much as $45 a share in cash.

GTE is hoping, meanwhile, that WorldCom's own shareholders will have concerns of their own about the structure of the new transaction. If WorldCom is forced to issue shares at the maximum exchange ratio of 1.7586 – much higher than the maximum ratio of 1.2206 under the initial offer it announced on October 1 – then its holders will see greater dilution to their shareholding.

That could put the projected $2.00 earnings per share of the new MCI-WorldCom for 1999 under pressure, claimed one person close to GTE.

See Editorial Comment

Telefónica chairman left out in the cold

By Tom Burns in Madrid

Seven months ago, Juan Villalonga, Telefónica chairman, joined British Telecommunication's Sir Iain Vallance and MCI's Bert Roberts in a triple handshake to symbolise the entry of the Spanish carrier into the Concert global telecoms alliance.

The family photograph suddenly belongs to the past. "Villalonga is now like the child of a divorced couple," a Madrid merchant banker said yesterday, after MCI reversed out of a planned merger with BT and accepted a $37bn bid from WorldCom of the US. "One parent lives in America and the other lives in Europe."

The Telefónica chairman may now face a no-win situation: partnering BT in the Hispanic world could block his ambitions to enter the US market, but allying with MCI-WorldCom risks having BT competing in his own Spanish back yard.

Telefónica shares fell 2.13 per cent in heavy trading on Madrid's Bolsa yesterday, against an index fall of 0.85 per cent, to close Pta85 lower at Pta3,900.

The break-up of the BT-MCI alliance is a blow for Mr Villalonga, because he staked his prestige on joining it. In doing so, he broke an existing arrangement with Unisource, the partnership of small European operators which is linked with AT&T of the US. It has now brought in Telecom Italia to fill the gap created by Telefónica's departure.

The best solution for Mr Villalonga's quandary is probably for BT to replace MCI with another US partner – and to have Telefónica included in a new photo opportunity.

INTERNATIONAL NEWS DIGEST

Concor ahead 25% at midway

Improved interest income and a lower tax payment helped Container Corporation of India (Concor), the state-owned container transport group which plans a Global Depositary Receipt issue next year, to post a 25 per cent rise in net first-half profits to Rs611m ($16.7m), against Rs488m in the same period last year. The rise bettered most analysts' expectations and came despite weaker sales growth, which rose 14 per cent to Rs2.93bn from Rs2.56bn. "It is a good result in these bad times of economic slowdown, and despite relatively unimpressive growth of sales," said Pratik Gupta, an analyst with BZW in Bombay.

Concor's net interest payments fell to Rs2.2m from Rs4.7m, reflecting lower interest rates. Other income rose 59 per cent to Rs102m, against Rs64m for the same period last year. Analysts said the results suggested Concor was on course for full-year profits growth of about 27 per cent, to Rs1.2bn. The Indian government recently appointed J.P. Morgan as global co-ordinator for a proposed euro-issue of 12m shares, tentatively planned for early 1998. At the current share price, the issue would raise about $150m. *Mark Nicholson, New Delhi*

■ MOTOR INDUSTRY

Suzuki buoyed by strong exports

Strong exports and cost-cuts helped Suzuki, the Japanese carmaker, to offset the impact of slow domestic sales in the first half. Sales in the period were flat at Y586.3bn ($4.72bn), against Y583.3bn last time, but recurring profits rose 23 per cent from Y10.5bn to Y13bn as a result of the weaker yen, cost cuts and a better product mix. Net profits rose 14 per cent to Y5.8bn. Exports of passenger cars were up 17 per cent in value terms, while domestic sales of passenger cars fell 14 per cent.

Suzuki expects firm export demand to support a rise in export sales to 238,000 units, compared with an initial forecast of 222,000. But a slump in the domestic market led the company to expect a fall in domestic sales of mini-vehicles to 510,000 units, from an initial forecast of 560,000. For the full year, Suzuki forecasts sales of Y1,180bn, compared with Y1,182bn previously, and net profits are forecast at Y11bn, against Y11.4bn. *Michiyo Nakamoto, Tokyo*

■ TECHNOLOGY

Scitex returns to the black

Scitex, the Israeli graphic arts and digital print system maker, yesterday posted a 20 per cent rise in third-quarter sales and a second successive quarter of profits, after heavy losses last year. Revenues jumped from $142m in the third quarter last year to $171m. Net income in the quarter was $2.2m, or 5 cents a share, compared with a net loss of $151m, or $3.53. Last year's third-quarter loss was exacerbated by restructuring costs of $110m. Scitex, once the flagship of the Israeli technology sector, recorded net income of $157,000 in the second quarter this year, after four successive quarters of losses. "You have to be sceptical in assessing Scitex's recovery," said one analyst. "But they have managed to make money in a very difficult business environment." *Avi Machlis, Jerusalem*

Shareholders ponder new course for BT

By Alan Cane

British Telecommunications' institutional shareholders reacted with a mixture of relief and muted approval yesterday to the news that BT had agreed to WorldCom's $37bn bid for MCI.

The deal was set to leave the UK company with more than $7bn in cash – at the expense of its North American strategy, which was based on its own plans to merge with MCI.

One shareholder said the WorldCom offer was "a pretty decent price". He added that it had always been a matter for conjecture whether a global strategy was appropriate for BT and whether MCI had been the right partner.

Another said: "This removes one uncertainty but creates another – what is BT going to do with the cash?"

Shareholders believe BT has three broad options.

First, it could persevere with its global strategy, using its war chest to pursue another acquisition in North America. However, several investors voiced concern that this would result in earnings dilution, as US telecoms operators are expensive.

Second, it could return to a broadly European strategy and attempt to restart negotiations with Cable and Wireless. Merger talks with the broadly-based UK group were abandoned last year after disagreements on price and other issues. There have, however, been changes in circumstances which make such a merger possible, if not likely.

Third, BT could abandon a global strategy and return the funds to shareholders through special dividends or a share buy-back. A straw poll of institutional shareholders contacted yesterday thought this the least desirable option.

Investors believed BT's management had done well to secure a settlement in cash rather than shares: "I was not happy with the thought of being left with overpriced WorldCom paper," one commented. "They have done better than I expected and I do not believe their global strategy has been derailed."

Another investor pointed out, however, that an advantage of the MCI deal would have been to increase BT's net debt and create a more efficient balance sheet: "It cannot be right to persevere with an inefficient balance sheet."

There was a belief BT would move as fast as possible to rebuild its North American strategy through an alliance with one of the local operators. GTE is favoured because of its close links with BT and the synergies it could provide in BT's attack on local telephone markets in the US.

BMW warns Mayflower off Vickers bid

By John Griffiths

BMW last night issued a fresh warning that it would terminate its contract to supply engines for a new range of Rolls-Royce cars to be launched next year if Mayflower, the UK engineering group, succeeded in taking over Vickers, Rolls-Royce Motor Cars' owner.

The declaration by the German company, which reaffirmed its own interest in buying the UK luxury carmaker – producer also of Bentleys – creates big potential difficulties for Mayflower. The fast growing engineering group, which is little more than half Vickers' size, has been widely expected to mount a hostile takeover before the end of the week.

BMW, through its Rover subsidiary, is one of Mayflower's largest customers. The main body panels for Land Rover models are supplied by Mayflower, as are the complete bodies for Rover's highly successful MGF sports car range.

Mayflower also has a significant interest in the future of Rolls-Royce because it has the contract to develop and supply much of the bodywork for the new Rolls-Royce range.

John Simpson, Mayflower's chairman, and his board were aware that a bid from them would be unpopular with BMW, but until last night had seemed prepared to gamble that BMW would not terminate the engines contract if Mayflower took over Vickers.

BMW's position thus bodes ill for Mayflower whether it or BMW should gain eventual control of Rolls-Royce, which Vickers has put up for sale.

Neither Vickers nor Mayflower would comment on BMW's statement, which also once again rejected outright speculation that BMW might be a tacit supporter of Mayflower takeover.

BMW's chairman, Bernd Pischetsrieder, is privately said to be furious at the Mayflower intervention and the Munich statement last night stated categorically: "We are not involved in any Mayflower bid for Vickers."

Mayflower wants to buy the whole of Vickers, sell the defence arm and keep the three other divisions – Rolls-Royce, Cosworth engines and propulsion technology.

Its biggest shareholders have given support to its plans but the clear-cut nature of BMW's warning last night may result in second thoughts.

Other potential bidders for Rolls-Royce are understood to include Daimler-Benz and Ford.

Allied Domecq considering merger options

By John Willman, Consumer Industries Editor

Allied Domecq yesterday signalled its willingness to get involved in further restructuring of the global drinks industry.

Sir Christopher Hogg, chairman, said the merger of Guinness and Grand Metropolitan to form Diageo, with twice the sales of Allied, would heighten competition. While Allied would not be panicked into action, it was looking at merger options with other big drinks groups.

He was speaking as Allied reported a 6 per cent rise in annual pre-tax profits to £607m, before exceptionals.

He also rekindled speculation over a possible demerger of the group, which includes a large UK pub estate and franchise operations such as Baskin Robbins ice cream parlours and Dunkin' Donuts.

"It is an idea that has not yet come and may not come," he said. "But the board's issue is that it is more a matter of pragmatism than of principle."

Allied's profits were at the top end of expectations, and the shares rose 27p to 508p.

But with more than half its turnover outside the UK, the group was hit by the strength of sterling.

Turnover, down 2 per cent to £4.45bn for the year to August 31, would have been up 3 per cent at constant exchange rates. The appreciation of the pound knocked £28m off pre-tax profits. Allied expected a £50m reduction in 1997-98.

Sir Christopher confirmed Allied's interest in acquiring Dewar's, the number one scotch whisky in the US, which Guinness and GrandMet have offered to shed to secure regulatory approval for their merger.

Profits from the franchising businesses rose 9 per cent at constant exchange rates.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Domecq	Yr to Aug 31	4,449	(5,370)	602	(284♠)	38.6	(4.1)	15大	Feb 20	14.15	24.44大	23.59
Amersham Intl	6 mths to Sept 30	267.7	(198.5)	29.2♠	(28.4)	23.2	(27.5)	nil	-	6	-	22
Betts Bros	Yr to Aug 31	47.2	(38.3)	6.95	(5.02)	34.06	(32.27)	4.85	Jan 19	3.85	6.75	5.6
Cranswick	6 mths to Sept 30	75.1	(79.1)	2.12	(1.84)	10.2	(8.8)	3.25	Jan 30	3	-	10.2
DCC ♣	6 mths to Sept 30	307.2	(276.9)	12.8	(15.7♥)	11.87†	(14.5)	3.52	Jan 8	3.04	-	8
General Accident	9 mths to Sept 30	4,794□	(4,689□)	783	(488)	113.4	(69.1)	-	-	-	-	34.25
John Lusty	6 mths to Sept 30★	12.8	(7.97)	0.609	(0.235)	0.33†	(0.15)	0.13	#	-	-	-
Lomond U'riting	6 mths to Sept 30☆	-	(-)	1.96	(0.94)	4.5	(2.5)	-	-	-	-	10
Sedgwick	9 mths to Sept 30	709.1	(724.2)	82	(80.4)	10.4	(9.8)	-	-	-	-	7.25大大
SWP	Yr to June 30	15.5	(9.81)	0.108♠	(0.909L♠)	0.048	(0.969L)	nil	-	nil	nil	nil
Taws (John)	6 mths to Sept 30	11.5	(12.8)	0.30	(0.63)	0.76	(1.54)	0.5	Jan 20	1.6	-	4.01
Umeco	6 mths to Sept 30	22.8	(12.9)	2.05	(1.03)	9.7†	(6.4)	2.1	Feb 12	1.8	-	5.5
Versailles	6 mths to Aug 31	70	(48.9)	3.22♠	(2.08)	0.86†	(0.57)	0.215	Dec 10	0.195	-	0.41
Wardle Storeys	Yr to Aug 31	112.6	(110.4)	12.5	(10.5)	32.8	(27.2)	14	Jan 6	13	20.5	19
Whitehead Mann	6 mths to Sept 30	10.4	(7.57)	1.58	(1.11)	6.53	(5.11)	3	Jan 30	-	-	1.6
Wilshaw	6 mths to Sept 30	26.5	(27.7)	2.61	(2.4)	1.8	(1.64)	0.3	Jan 30	0.3	-	0.85
WT Foods	6 mths to Sept 30	18	(12.1)	1.64♥	(0.701♠)	1.41†	(0.95)	0.5	Jan 1	0.5	-	1.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Broadgate	Yr to Sept 30	201.54	(169.55)	0.166	(0.123)	3.32	(2.46)	2.2	Dec 19	2	2.2	2
Mercury Keystone	Yr to Sept 30	1,061.5	(844.13)	3.58	(5.01)	25.22	(35.27)	14.5	Dec 19	13	21	19♦
Scottish Value	Yr to Sept 30	143.24	(130.6)	2.39	(1.02)	4.77	(2.02)	1	Jan 12	1	2	2

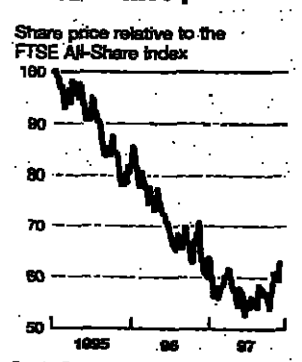
Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. 大Foreign Income dividend. 大大Includes FID element. ♣Irish currency. †On increased capital. ☆Comparatives for 29 weeks to October 17. □Premium income. ★Comparatives restated. #Alreday paid. ♦Excludes 12p special.

LEX COMMENT

Allied Domecq

Allied Domecq

Share price relative to the FTSE All-Share index



Source: Datastream/ICV

Compared with the exciting merger-making of Grand Metropolitan and Guinness, Allied Domecq appears to have had a humdrum year. But underneath has lain the urgent task of reversing its earnings decline and reviving its management's reputation. Yesterday's presentation showed a group in better financial shape with improved focus on core spirits and pub brands. But sales remain flat and earnings are only expected to inch ahead this year. That is why market attention focuses on deals. In a low growth industry with a diversity of brands, hopes for Diageo (Guinness-GrandMet) are pinned on savings in distribution and improved marketing clout. Further consolidation is expected. The juiciest prospect for Allied shareholders would be a bid from Seagram, especially as their company has at last been polished up. The trouble is that Seagram has so far preferred to spend on entertainment and share buy-backs. What about Allied as purchaser? Big buys look limited by its mediocre balance sheet and share price. It could spend £500m or so to buy Dewars whisky from Diageo, but in an auction there is a danger of overpaying.

This leaves the possibility of merging its spirits business with, say, a continental rival such as Pernod Ricard or Bacardi-Martini. But because the most eligible partners are family controlled, any tie-ups might well be watered down to joint ventures. Such a cocktail looks unlikely to reduce Allied's 20 per cent price/earnings discount to the market.

NEWS DIGEST

Nyco Amersham tops expectations

Nycomed Amersham, the healthcare group formed three weeks ago with the merger of Amersham International and Nycomed, yesterday reported better than expected results for its two former halves and said it was in talks with a potential buyer for its industrial businesses.

Amersham International's pre-tax profits for the half year to September 30 rose 32 per cent to £37.6m ($63.5m), excluding £8.4m in exceptional merger costs. After these, pre-tax profits were held to £29.2m (£28.4m).

Merger costs are forecast at £110m for the merger and an earlier deal to form Amersham Pharmacia Biotech, a life-sciences joint venture with Pharmacia & Upjohn, the pharmaceuticals group.

Nycomed reported third quarter results with pre-tax profits up 40 per cent from NKr220m to NKr309m ($45.6m). Most of the increase came from the company's Focus 98 cost-cutting programme, as sales were up only 7 per cent to NKr1.93bn, against NKr1.8bn. Earnings per share rose to NKr1.98 (NKr1.43). *Roger Taylor*

CSFB to buy BZW arms

Credit Suisse First Boston, the US investment bank, is expected to announce today its purchase of the UK and continental European equities businesses of BZW from Barclays, the UK bank. Analysts expect the headline price for the businesses to mask a complicated structure covering redundancies, the costs of running BZW's administration and other fees.

The announcement comes just over a week after the two sides declared that CSFB had made an offer for only part of the equities and corporate advisory businesses put up for sale by Barclays. Analysts had originally expected the whole business – about half of which was eventually bid for by CSFB – to fetch £400m-£500m ($676m-$845m). *Jane Martinson*

GA up 23% at nine months

General Accident, the Scotland-based composite insurer, reported a 23 per cent rise in nine-month profits, helped by rapid growth in life assurance and pensions sales. Operating profits increased from £311m to £384m ($645m).

The shares slipped 13p to 972p on downbeat comments about the UK and a disappointing net asset value of 749p.

Life and pensions sales grew 31 per cent to £174m on an annualised basis. The group derives a third of its income from life following the acquisition of Provident Mutual last year and is distributing products via agents to customers in France and Germany.

Bob Scott, chief executive, said the company was not planning another life purchase in the short term. Instead, it would seek to expand its small commercial and speciality motor portfolio in the US. It bought Canadian General for C$600m ($425m) last month and is to take a one-off charge of C$45m for integrating the business. Mr Scott said GA would save C$75m a year from cutting 600 of the combined 2,300 staff. Restructuring in the US would also reduce staff by 600 and achieve annual savings of $25m. *Christopher Adams*

Consulting lifts Sedgwick

Rapid growth in fee-based consulting services helped limit the damage from a strong pound on nine-month profits at Sedgwick Group, the international insurance broker. Pre-tax profits rose from £80.4m to £82m ($138.6m) for the period to September 30. Sterling's strength cost the company £9.2m. Pre-tax growth was 15 per cent at constant exchange rates.

Rob White-Cooper, chief executive, said the group was seeking partners in the US and continental Europe to help expand Sedgwick Noble Lowndes, the employee benefits and healthcare business. SNL contributed £167.3m to brokerage and fees of £677.2m, up 5 per cent at constant rates.

Stuart Tarrant, finance director, said a joint venture with Nikols Brichetto, Italy's biggest insurance broker, would enhance earnings per share by 3 per cent. The transaction was completed last month. In the US profits grew by 23 per cent at constant rates to £29.6m. *Christopher Adams*

TECHNOLOGY

Using the net: Nikki Tait and Alison Maitland

Cyberspace grows on US farmers

The agricultural sector is belatedly waking up to the advantages of internet use in spreading information

When corn borers – European moth larvae which can wreak havoc on crops – began to infest the US grain belt this summer, farmers found a new way to fight back. Pooling information, they posted messages on the internet, detailing how the critters were travelling and what sort of crop protection techniques seemed to work.

It was a good example of the potential cyberspace offers the farm sector. Yet such co-operation is relatively new. The US may be the hotbed of computer-based innovation, but the country's size and regional diversity means technology take-up can be patchy and protracted.

Nowhere has this been demonstrated more clearly than in agriculture. In its first "cyberspace" survey earlier this year, the US Department of Agriculture found that about 38 per cent of the 34,000 farms surveyed had some form of computer access. Just under one-third – 31 per cent – actually owned or leased computers. About 13 per cent used the internet.

Those numbers were a shade below statistics for the population overall: 35-40 per cent of US households are estimated to have computers, and approximately 15 per cent internet access. But in comparision with the US business community, the farm sector was a poor second. A recent National Small Business United survey found that around 43 per cent of the small and mid-sized companies questioned now used the internet, for example.

Even more striking were the regional differences indicated by the USDA report. In New Jersey, more than half the farms had computer access and almost a third used the internet. Western states, such as Idaho, Utah and California, where large-scale farm operations are prevalent, were also well up the technology ladder.

By sharp contrast, only one-fifth of farms in Louisiana and Mississippi boast a computer, and a paltry 4 per cent had the means to surf the net. Even in Wisconsin, heart of the US dairy industry, the percentage of farms with internet facilities remained in single digits.

These findings do not surprise farmers, farm groups and agricultural suppliers, however. Most say it is only in the past 18 months that the farm community has begun to use cyberspace in a meaningful way – although this is changing quickly.

In part, this fairly slow response can be explained by shortcomings in the telecommunications infrastructure. William Stewart, a native Iowan who runs the Chicago Board of Trade's website, remembers returning to his home state and noticing that local telephone companies had suddenly begun to advertise internet facilities. That was only a year ago.

Rick Bush, in the Chicago office of the American Farm Bureau Federation, the farm lobby group, agrees. "Internet use has really developed in the last one to two years, as smaller rural telecoms companies have promoted services," he says. "Two years ago, it was very difficult or expensive to get connected".

As a result, many farmers still depend on older-style satellite-based services for their basic information needs. The biggest traditional supplier of news to the farm sector in recent years has been Data Transmission Network, a quoted company based in Omaha, Nebraska. It pumps out a mass of daily information, from commodity prices to weather forecasts, for around $50 a month.

DTN concedes that internet-based information sources, if available free, could present competition. But, for the moment, John Erikson, marketing director, thinks the satellite supply system has an edge in terms of convenience. A busy farmer, he points out, needs to be proactive if he wants to download information from the net, and may have to wrestle with a number of different sites and slow connections. The satellite feed simply arrives.

DTN, he adds, has introduced an internet-based version of its satellite service (also fee-based). But this has attracted only about 1,000 customers, compared with 115,000 subscribers overall.

Still, the situation is evolving fast. For example, quotes for most major agricultural commodities, with just a 10-minute reporting lag, can now be found free on the internet. The Board of Trade, the largest futures market, says it gets twice as many "hits" on grain prices as it does for its most-heavily traded financial products. At harvest time it was registering up to 15,000 hits a day for corn prices.

"For the financial community, there has always been a lot of data sources, but the farm community didn't have this information," says Stewart.

Increasingly, too, large farm suppliers are beginning to jump on the bandwagon. John Deere, the agricultural equipment supplier, says it is shifting away from satellite-based communication with its rural dealers, to the internet. Wisconsin-based Case, one of its main rivals, has been providing software to customers of its more advanced products, such as yield maps, which can be downloaded via the net.

A handful of farm-related organisations has even begun to explore electronic commerce opportunities. Cattle Offerings Worldwide, a North Carolina-based organisation, is one: It already runs a matching service for buyers and sellers of livestock and, this week, provided internet feed for the first time to a live auction of Jersey embryos taking place in Kentucky, receiving bids electronically from around the world.

But the internet, with its combination of easy accessibility and user anonymity, may have its limits, too. Pioneer Hi-Bred is one of a growing number of US seed companies to offer genetically-engineered products. This is a controversial and competitive business at present.

The trouble with the internet, says the Des Moines-based company, is that you can rarely be certain who is really asking about what. "Our business is increasingly involved with biotechnology. To put that kind of very specific information on the internet is not appropriate," it says firmly.

Information Technology
● The FT's review of Information Technology appears on the first Wednesday of each month

Promising outlook for on-line weather service

Few things are more important to farmers than the weather. So with one eye on the clouds and one on the internet, Michael Seals recently made an early start to sowing corn on his farm in Derbyshire to escape impending rain.

"The weather service said it would rain at 2.30pm and it started at 2.15pm," he says. "We made a lot of progress before it began."

Mr Seals is one of a small band of British farmers who are keen users of the net. He belongs to the Rural Business Network, an intranet which packages information and advice for the industry.

It has gained about 400 subscribers in its first year, but this is less than half the 1,000 targeted by the network's founders – the National Farmers' Union, the Country Landowners' Association and Adas, the farming consultancy.

"We're disappointed but not disheartened," says Ian Dalzell, NFU director of services. Two farming magazines have launched internet services in recent months. "The marketplace is hotting up and people want to be sure they've made the right decision," he says.

The eventual aim of the NFU and CLA is to use the network for a dialogue with members. For now, however, the most popular service is the weather, which provides regularly updated forecasts for 90 regions across the UK.

The next most used services are cash and futures market prices, and e-mail – a particularly cost-effective business tool for those in remote locations.

Farming On-Line, the internet company that provides the Rural Business Network and other agricultural services, has gained about 3,000 subscribers since it set up 18 months ago.

Jonathan Jackson, the marketing manager, says the company has been approached for advice by agricultural organisations in France, Germany, Sweden, the Netherlands and Belgium.

He says 85 per cent of the information offered by Farming On-Line is not available elsewhere on the net – for example, daily UK livestock market prices. Too few agriculture-related web sites have progressed beyond advertising.

Moreover, the company believes only a quarter of the country's 80,000 full-time farmers have computers.

Farmers' use of the net in much of the European Union appears to be even more embryonic. Shelby Matthews of Copa-Cogeca, the EU farming organisation, says the UK, Sweden and Denmark are most advanced in using the technology.

She runs Agri Info, a web service for national farmers' unions, and has found that unions in Greece and Portugal do not yet have internet access.

The Dutch farmers' union is trying to set up e-mail links with its regional offices as a first step to offering a service to individual members. Dutch cattle markets have begun to organise auctions via the internet.

Use depends heavily on access to computers. Nearly half of Swedish farmers are estimated to use the internet because small businesses need computers to file accounts, says Katarina Gillblad, a consultant for a large Swedish grain co-operative.

But in contrast to the UK, Swedish farmers find a paucity of companies offering web services. She favours a common European service based on the Farming On-Line concept. "If you solve a problem for one farmer in Europe, you solve it for all the farmers."

Another factor delaying internet use is the age of farmers. More than half of EU farmers are over 55 and many view new technology as being not for them but for their children.

Those who overcome techno-phobia can gain a competitive edge. Mr Seals in Derbyshire saved £3,500 on a grain deal by watching market movements and selling forward on a fixed price contract just before prices turned down.

He believes e-mail, too, will come to be seen as an easy and accurate way for farmers to transmit data to government, for example on animal movements. "Sooner or later the rise [in internet use] will be fairly meteoric."

Watching brief

NetChannel in internet TV launch

Despite lower personal computer prices, home PCs and internet access remain a purchase that many households simply cannot afford – or find too complex to use.

NetChannel, a start-up backed by Herman Hauser, co-founder of Acorn Computers, is seeking to plug this gap by offering what it claims is Europe's first mass market personalised internet TV service.

The company, headquartered in the US but with a UK-based subsidiary, has launched a £14.95-a-month service that offers subscribers easy access to internet e-mail and the web via a £300 NetStation set-top box. This plugs into a standard television and a telephone line.

Users are offered a selection of "best of the internet" sites selected by NetChannel's editorial team and can personalise their own service.

Access to the NetChannel service is controlled by a chip-based "smartcard" which plugs into the NetStation and contains the subscriber's details.

NetChannel UK; tel 0171 591 7000, www.netchannel.co.uk

Centralised server makes a comeback

Since the late 1980s, enterprises have invested heavily in distributed computing, based around large numbers of servers in individual business departments. But the past year or so has seen the beginnings of a trend towards consolidation, with a single centralised server replacing several smaller ones.

Consolidation has been estimated to cut the costs of enterprise computing by as much as 35 per cent, but to be fully effective a centralised server must be able to run multiple applications.

Until now Unix servers have been limited largely to running single applications, but, according to UKbased ICL, their days are numbered. It is launching Policy Scheduler, which aims to maximise the cost savings from consolidation.

Normal Unix schedulers are "fair" – they allocate processor time rigidly to each application. ICL's package allocates resources by business need. A transaction processing application such as a cash transaction, for example, receives a high policy and thus more resource than batch processing applications such as bank statement runs.

ICL has patents pending for Policy Scheduler.

Peter Slavid at ICL, UK: tel (0)1753 555340, e-mail p.m.slavid@fs001.wins.icl.co.uk

Software signs up handwriting

Fed-up with boring computer typefaces? Help is at hand.

Formula Solutions, the UK-based developer of TrueType logos, symbols and signatures has launched Personal Font, a TrueType handwriting font that allows Windows and Mac personal computer users to write and print in their own handwriting.

Formula claims the custom-made font reproduces an individual's handwriting, including the exact way they shape and connect letters.

Personal Font varies the shape of each letter depending on those around it, making the software "the most realistic handwriting software in the market". Personal Font can be used to personalise any business or private documents created using standard applications, and a signature can be added making it ideal for users wanting to sign fax messages. Personal Font costs £140 excluding VAT.

Formula Solutions, UK: tel (0)181 252 4444, www.formula.co.uk

Cleanliness next to godliness

This church window in Lille, France, could benefit from a European Union-funded project to develop laser technology quick enough to clean about 10 sq m an hour. Current technology is slow and only suitable for sculpturesand laser beam quality is affected by temperature. Embedded neural networks will be developed by UK-based Neural Computer Sciences to provide the laser control and guidance correction system for the project.

Neural Computer Sciences, UK: tel: (0)1703 667775, fax: (0)1703 663730, web www.ncs.co.uk

Back office operations checker

Techniques used in the manufacturing and process industries for monitoring production are being introduced to increase the efficiency of investment bank back office operations.

New York-based CSK Software has launched PaceMaker, which works hand-in-hand with a bank's processing systems to give a complete view of trades as they are processed. It identifies potential errors and bottlenecks, and helps allocate the work to fix problems.

The technology is internet-based, enabling access from anywhere, and distributing throughout the organisation the ability to identify and resolve problems quickly.

Kofo Are at CSK Software, UK: tel (0)171 815 5200, e-mail koremail@csksoftware.com, web www.csksoftware.com

Scoring well on sheet music

The use of the internet as a delivery channel for digital information including news, share prices and software programs grows apace.

One of the latest applications will enable musicians to purchase high-quality sheet music over the web for instant delivery to their PC printers.

Sheet Music Direct is a service developed by Music Sales, Europe's largest sheet music publishers. Visitors to the web site, www.sheetmusicdirect.com, can search a catalogue of sheet music available for sale in their particular country an preview a printout of the score using the free MusicPage software. Music is purchased with a creditcard using sophisticated security techniques, and is then delivered instantly.

Music Sales, UK: 0171 434 0066, www.musicsales.co.uk

Compiled by Paul Taylor and Andrew Baxter. Information can be sent by e-mail to infotech.page@FT.com

A letter from R. W. 'Tiny' Rowland

LONRHO – JCI

A lump of coal for Lonrho's Christmas stocking

Should shareholders look forward to the JCI/Tavistock deal?

Dear Lonrho shareholder,

Why not pick up a newspaper and look at South African mining stocks? That's what I do most mornings. Last week's closing price for **Anglo American Coal:** the high for 1997 was £70. Last week - £32. **Anglo American Gold:** the high was £49. Last week - £27. **JCI:** high for the year 674½p. Last week - 244p. **Randgold:** high $8.125. Last week - $1.9375. **Impala:** high £9. Last week - £5.75. **De Beers:** high for the year was £24. Last week - £13.5. **Goldfields:** high £17. Last week - £10.

As a Lonrho shareholder, what would you decide to buy if you had £183 million, after selling off super assets like Lonrho's pan-African sugar estates and Lonrho's Metropole Hotels, at bargain prices? Would you sink our capital in the South African Tavistock coal mines and pay an unjustified premium to JCI at a time when every big South African company thinks of externalising its own investments?

The market outlook for coal is not favourable, according to Tavistock's own managing director. There's coal everywhere, better and cheaper, and JCI as a company can do nothing for Lonrho in terms of management. Just look at their record, the recent departure of some of their top people and their troubled gold mines. Can we really have sold our cash cows, Lonrho sugar (for £227 million, the best buy Illovo ever made) and the Metropole Hotels (high occupancy, steady sterling income) in order to reinvest the resulting capital sum so poorly?

Will it be good for Lonrho shares? Our shares having come down from 217p wallow around 100p. Our payment of £183 million sterling will do much for JCI's shares and aggressive Mr Kebble and Anglo's director Mr Khumalo. They can be put it in their labyrinth. See the chart, and feel the fear.

Shareholders may assume that it's all high finance and the Lonrho board, with Sir John Craven from DMG at its head, knows what is best. But this board, advised by Deutsche Morgan Grenfell, promised shareholder value four years ago and a profitable three-way demerger. They've been paid millions for their advice. No part of that promise has been kept. So far Lonrho has only made sales which benefit the buyers - our board was even spectacularly outnegotiated by the Libyan Foreign Investment Company, which demanded and got £251 million upfront in cash for their one third share in the Metropole Hotels.

Let's face it, the demergers are off, although our board has never informed us that a policy once heavily promoted has been silently scrapped. We have been deceived. Prime assets that would have made demergers possible are gone, as is former chief executive Bock, the speculative architect of the scheme, who has said 'Auf Wiedersehen' and taken 180p a share from Anglo American without prior consultation with the board. Shareholders of Lonrho must look for the same-or-better-cash offer for their shares, for the present demands of JCI make it clear that the Anglo group and its associates treat Lonrho as a company already within its orbit of control.

Just look at Anglo group dividends and imagine that policy applied permanently to Lonrho, as it will be, if the sequence of deals with JCI which the board is about to embark on goes ahead.

The Tavistock coal purchase is not a stand-alone deal, but the first step in a chain reaction planned by the financial brains of Anglo. The purchase of Tavistock leads to the counter-purchase of almost 30% of Lonrho. The purchase of Tavistock leads to the enrichment of JCI and the impoverishment of Lonrho.

As to the actual purchase of the collieries it's not necessary to be familiar with coal mining to understand a poor deal. This one is backed by the same team that brought you the sale of the Metropole, the never-ending saga of the Princess Hotels and the reluctant Prince, and a bargain price for Lonrho's flourishing sugar estates which took 32 years to build up. Have you noticed that this week our large textile mills, previously the particular responsibility of new chief executive Nicholas Morrell, were given away, as they had debts of millions and losses of millions under his stewardship?

After three years, the only positive step taken by Lonrho is an eccentric decision to invest shareholders' cash in South Africa.

The negative policy of our board has been to sell the good assets which I secured for you, and to sell them at sometimes ridiculously low prices with unfavourable results for Lonrho shareholders (Krupp-Lonrho, Metropole, Lonrho Sugar, Harrisons, the Lonrho-Impala Platinum débâcle). The results make one wonder if the buyers have been writing the price tickets. Now here come Mr Kebble from Randgold and Mr Khumalo of JCI, both dependent on Anglo's goodwill, with their festive scheme to persuade the Lonrho board to buy some highly geared coal mines at an inflated figure, and so fund Mr Kebble's grand purchase of a great slab of Lonrho shares, opening the way for cash-strapped JCI to pick over the rest of our assets at leisure. The price tag for Tavistock was set to the maximum figure possible without automatically triggering an EGM by exceeding 25% of Lonrho's capitalisation. Following my protest to The Stock Exchange it now appears that the purchase of Tavistock, which brings on the risk of overall control by JCI, will need shareholder approval at an Extraordinary General Meeting.

Yours sincerely,

Tiny Rowland

R. W. Rowland*
Wednesday, 12 November 1997

* R W Rowland is the largest individual shareholder of Lonrho plc

Who controls JCI?

SIMPLIFIED STRUCTURE*

*The calculations in the chart opposite are based on publicly available information which has been obtained from sources which are believed to be reliable. The displayed information should not be relied upon since no guarantee for accuracy, completeness, or otherwise can be given due to a lack of complete available information, which would make precise calculations possible.

Sources:

Circulars (Consolidated Mining, 30 April 1997; Saflife, 2 May 1997; Consolidated Mining, 17 June 1997; Consolidated Mining, 17 July 1997; NK Properties (NKP), 17 July 1997; Consolidated African Mining (CAM), 25 August 1997);

McGregor's 'Who Owns Whom in South Africa, 1997'; McGregor Information Services (Pty) Ltd; Johannesburg Stock Exchange; Registrar of Companies, Pretoria, South Africa; Reuters; Bloomberg;

Annual Reports (Anglo American Corporation of South Africa Limited; DeBeers Consolidated Mines Limited; Angold; JCI; Western Areas; Randfontein Estates; HJ Joel).

Notes:

1 Mzi Khumalo is a non-executive director of Anglo American Corporation of South Africa Limited. He was helped to set up in business by the McCarthy Group, controlled by Anglo American.

2 SBC Warburg is Anglo American's and JCI's main investment bank, and has been involved in the advisory, financing and arranging of the 'sale' of JCI, and most of the latest related transactions. SBC Warburg's 17.92% of CAM, resulting from the so-called 'Craftwise acquisition', has been calculated from information provided in the various circulars (*see above*).

3 These companies acquired their stakes in CAM through an extremely complicated web of deals, which have been revealed and partly explained in a number of circulars (*see above*). The companies include various Anglo-related nominee companies (Standard Bank Nominees, First National Nominees, 81 Main Street Nominees), as well as the underwriters of the Saflife rights issue (including the Anglo-related Hosken, Warburg and Southern Life), and various financial institutions (including Southern Life).

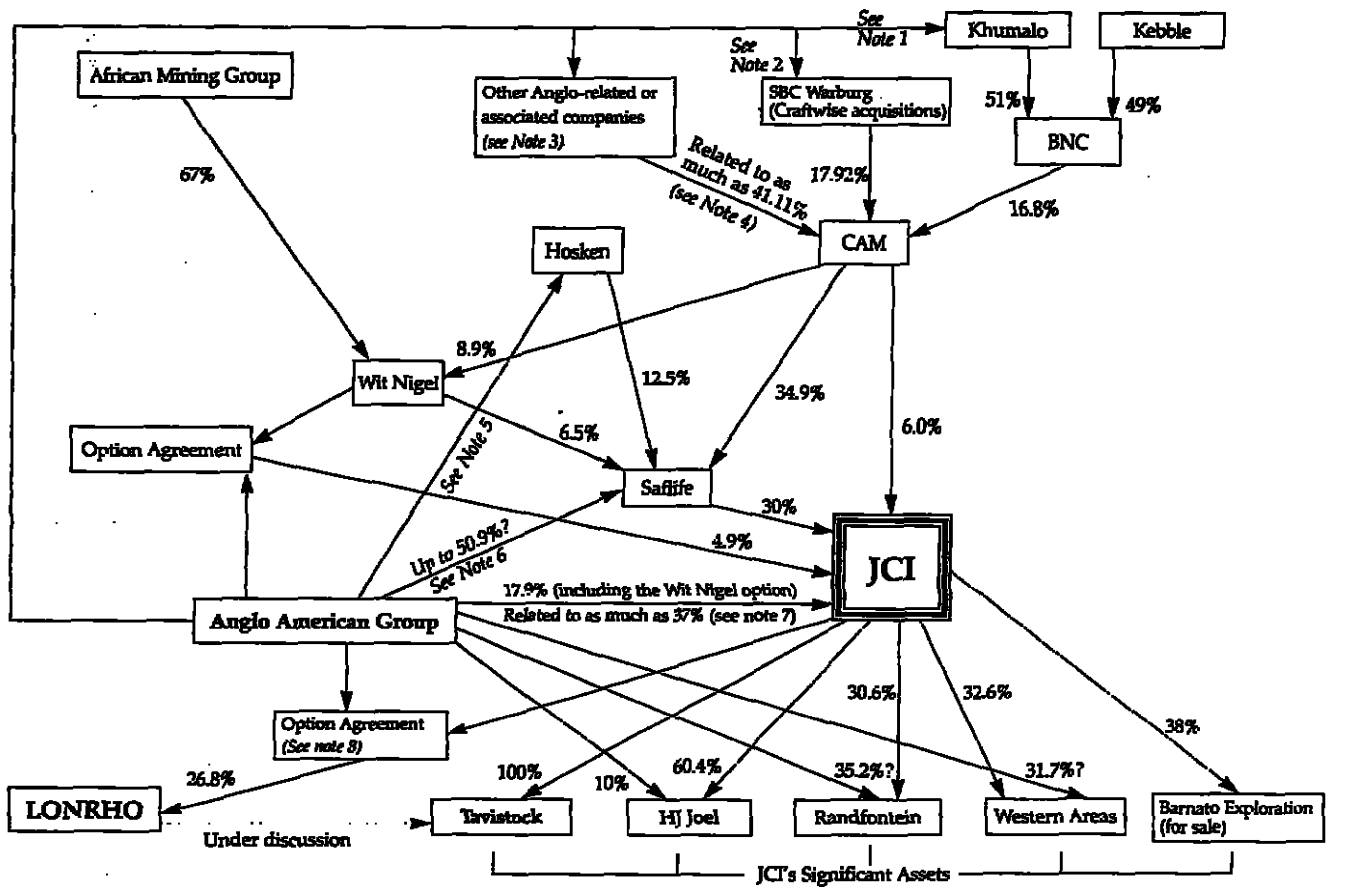
4 The lack of transparency in the various deals and companies involved make a precise figure for these companies' share of CAM impossible to determine. The calculated figure of 41.11% is based on calculations and certain estimates from figures given in the various circulars (*see above*).

5 Hosken is said to be controlled by First National Bank, which in turn is controlled by Anglo American (Source: McGregor's, 1997).

6 According to calculations based on McGregor information, dated 01/09/97, in which companies controlled, associated or related to Anglo American are shown to control the calculated figure of 50.9% of Saflife's share capital before the CAM restructuring took place (see circular Consolidated African Mining 25.8.97).

7 The figure of 37% is derived from calculations based on McGregor information, on 15/08/97, in which companies controlled, associated or related to Anglo American are shown to control the calculated figure of up to 37% of JCI's share capital. The figure of 17.9% is the figure announced publicly by Anglo American.

8 Subject to European Commission approval.

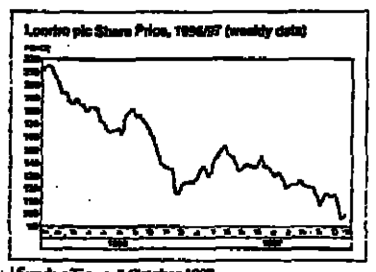


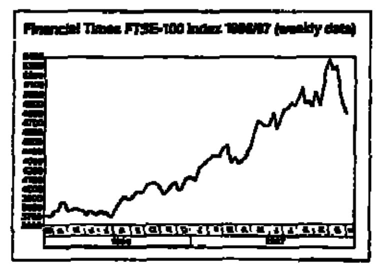
TAVISTOCK

- *"Tavistock is being sold to Lonrho simply because the money JCI will receive from Lonrho will go to fund its acquisition of Lonrho's shares."* SA STAR, 23 OCTOBER 1997
- *"The SA coal industry was in for a margin squeeze. 'It looks like a difficult year ahead', [Tavistock Managing Director Mike Rodgers] said."* SA BUSINESS DAY, 24 OCTOBER 1997
- *"Ingwe MD David Murray said his company was expecting another fall in contract prices for steam coal."* SA BUSINESS DAY, 24 OCTOBER 1997
- *"It could be that international coal prices, a lot of which are set by Australian contracts into Japan, may be negotiated down."* FINANCIAL TIMES, 30 OCTOBER 1997
- All the South African coal stocks have lost 40-50% of their market valuation during the last year.
- Tavistock, which is financially highly geared, has the highest export exposure of the South African producers with 63% of its production being exported. Therefore it is highly vulnerable to lower international coal prices.
- Duiker is currently valued by the market at P/E Ratios of 6-7, whereas a price tag of R 1.5-1.7 billion for Tavistock would value Tavistock at P/E Ratios of 12-13.4.
- Given the risks of any such deal for Lonrho in the current market situation of a downward trend in international coal prices. The known long term synergies of a Duiker/Tavistock bond are insufficient to justify giving Tavistock a highly inflated valuation.

LONRHO

- *"The cash from Tavistock will help pay for this (acquisition of Lonrho shares), but selling an asset to a company that you will control sometime in the future means that JCI can get the assets back when it wants to."* SA STAR, 23 OCTOBER 1997
- *"Is this almost a case of Lonrho paying JCI a premium to allow JCI to buy Lonrho?"* FINANCIAL TIMES, 30 OCTOBER 1997
- The failed demerger strategy of Lonrho's board has cost Lonrho's shareholders 54% of their investment since March '96. The company was to be split into three groups (mining, hotels, and Lonrho Africa).
- The sale of Lonrho Sugar to provide dividend cover has killed any chance of floating Lonrho Africa, the last of the three promised demerger stories.
- According to the Sunday Times[1], *"it is understood Lonrho is ready to talk to possible buyers and is likely to reject a demerger of the agricultural and motor distribution portfolio..."*.





[1] Sunday Times, 5 October 1997

JCI

- *"It is a pity that JCI has not really been an empowerment exercise, unless you consider Brett Kebble to be one of the previously disadvantaged."* ROB DOW, CHIEF EXECUTIVE, AFRICAN MERCHANT BANK, SA FINANCIAL MAIL, 31 OCTOBER 1997
- *"..., JCI executive director Brett Kebble has clarified the following: Prior to the NKP deal JCI chairman Mzi Khumalo had no direct stake in Saflife."* SA SUNDAY TIMES, 9 NOVEMBER 1997
- *"At the date of issue of this circular, the beneficial and non-beneficial interests of the Saflife directors in Saflife shares were as follows: M G Khumalo, Beneficial-Direct: 4 395 943 shares; 10.7% (Percentage of issued capital)."* SAFLIFE LIMITED, CIRCULAR TO MEMBERS, 2 MAY 1997, (PRIOR TO THE NKP-DEAL)

(A) Anglo's influence over JCI after the Saflife deal, according to McGregors[2] still appears to be about 37% of JCI via various shareholdings held by companies controlled, associated or related to Anglo American including certain nominee companies[3] and pension funds of their own group.

(B) The main assets of JCI (Western Areas, Randfontein Estates and Joel) appear to have Anglo American as a substantial shareholder of more than 30% in the case of Western Areas and Randfontein Estates. Anglo therefore would be the main beneficiary (besides JCI) of any restructuring of these mining assets.

(C) Anglo American has a number of their key executive board members on the board of JCI, which seems to give them the majority in any vote.

(D) In August 1997[4] Anglo American and its associates together with SBC Warburg (Anglo American's investment bank) seemed to control the major part of Saflife, which was defined at that time to be the controlling shareholder of JCI and was supposed to be controlled by Mr Khumalo & Mr Kebble.

(E) Having introduced the Consolidated African Mining (CAM) structure to the web above JCI, it has become obvious that Consolidated African Mining, which is supposed to control Saflife, which is supposed to control JCI, is not controlled by Mr Khumalo and Mr Kebble.

[2] McGregors, 1 September 1997.
[3] These nominee companies represent Anglo's De Beers' shareholdings in various companies, which are either members of the Anglo Group or are known to have Anglo De Beers as major shareholders.
[4] McGregors, 15th August 1997.

INTERNATIONAL CAPITAL MARKETS

Strong inflation data hit gilts

GOVERNMENT BONDS

By Samer Iskandar

UK gilts suffered from the release of stronger than expected inflation data for October yesterday. The December long gilt futures contract closed 23/32 lower at 117¾ and the short sterling contract fell 0.07 to 92.31, reflecting expectations of a further 25 basis point rise in interest rates by year-end.

In the cash market the 10-year yield spread of gilts over German bunds widened by 8 basis points to 116 points, its highest level since September 25.

The retail price index rose 0.1 percentage point in October from the previous month, pushing the year-on-year rate to 3.7 per cent, from 3.6 per cent.

The core index, which excludes mortgage costs, also rose by 0.1 percentage point year-on-year, to 2.8 per cent.

Economists at ABN Amro Hoare Govett said the statistics led to the "conclusion that continued above-trend expansion in service industries is generating inflationary pressure".

They also predicted a further rate rise "if signs of a slowdown are not sufficiently forthcoming".

Traders said the market remained fragile in anticipation of the Bank of England's quarterly inflation report, which will be published today.

GERMAN BUNDS ended a quiet session mostly unchanged. In London the December bund future settled 0.03 lower at 102.56.

Market participants shrugged off a DM17.3bn downward revision in projected tax revenues for this year.

"There should be no effect on interest rates," said analysts at UBS in Frankfurt. However, the Swiss bank added that the shortfall would rule out the possibility of tax relief and would maintain the pressure on public budgets.

ITALIAN BTPS rose slightly, with the London-listed December BTP future closing at 111.53, up 0.06. In the cash market the 10-year yield spread of BTPs over German bunds tightened by 1 basis point to 64 points.

The Italian treasury announced details of Friday's bond auction. A total of L4,500bn of new paper will be issued in two tranches, comprising L1,500bn of five-year securities with a 5.75 per cent coupon and L3,000bn of 30-year bonds paying a 6.50 per cent coupon.

SPANISH BONOS also closed slightly higher. The December bono future settled up 0.10 at 103.25, while in the cash market the 10-year yield spread of bonos over bunds narrowed by 2 basis points to 43 points.

Analysts said the direction in most markets would be dictated by today's meeting of the US Federal Reserve's Open Market Committee. They also attributed yesterday's lack of direction to the closure of the US market for the Veterans' Day holiday.

Alan Greenspan, chairman of the US Federal Reserve, hinted during the summer that monetary policy might be tightened in anticipation of possible inflationary pressures.

However, analysts said yesterday it was unlikely the Fed would raise interest rates while the financial markets were still recovering from the turmoil of the past few weeks.

Some economists also believe that the fall in the US unemployment rate to record lows does not necessarily revive inflationary fears in the current economic environment.

"There is still virtually no pressure for the Fed to alter monetary policy," said Bridgewater Associates, a US bond and currency trading house. "Bond markets have been gradually learning about the new era of non-volatile monetary policy."

Gazprom bond issue postponed

By Vincent Boland

Gazprom, Russia's natural gas monopoly, yesterday postponed a convertible bond issue because of "instability on international financial markets".

It said it would seek to revive the issue in the first quarter of next year, subject to market conditions.

The bond issue, which would have raised up to $1bn in a public offering, would have been the biggest out of Russia so far. It was due to have been issued before the end of the year through lead manager Goldman Sachs.

Much of the preparatory work had been done but Gazprom had not decided on a final size and had not begun marketing the bond to potential investors.

Its initial plans included a public offering of between $500m and $1bn, with a separate tranche of unspecified size to be sold to a strategic partner, most likely a foreign investor.

The decision to postpone the bond was not a surprise. The stock market turmoil of recent weeks has hit emerging market issuers hard, and several Russian debt offerings have already been pulled.

Bankers said emerging market issuers that did not have immediate need for new finance were wise to hold off.

"If an issuer can afford to be patient it can effectively get better terms by waiting," one banker said yesterday.

Given the size of the bond issue and the high profile of Gazprom and its chairman, Rem Vyakhirev, the company is also thought to have wanted to avoid a problem-hit issue.

Aside from the bond, it is also currently raising $3bn through a syndicated loan being arranged by Crédit Lyonnais and Dresdner Kleinwort Benson. Presentations to participating banks are due to be held next week.

Gazprom also said yesterday that it expected an international audit of its hydrocarbons reserves to be completed before the end of the year.

Brendan Corr

High profile: Rem Vyakhirev, Gazprom chief, is thought to have wanted to avoid problems

Scania agrees $1.85bn loan deal

By Edward Luce

Scania, the Swedish truck manufacturer, yesterday signed a $1.85bn revolving credit facility in the largest syndicated loan for a Nordic corporate so far this year.

Proceeds from the seven-year loan, which was jointly arranged by Enskilda Debt Capital Markets and J. P. Morgan Securities, will refinance Scania's previous visit to the syndicated loan market in December 1995.

An official involved in the deal said Scania wanted to exploit the reduction in borrowing costs since it made its last foray into the euromarket.

The $1.7bn loan in 1995 came at a margin of 17.5 basis points over Libor plus a 2.5 basis point utilisation fee. Yesterday's transaction comes at an annual margin of 15 basis points for the first five years stepping up to 17.5 basis points in the last two years.

Officials also pointed out that Scania's timing was both "fortunate and skilful" considering it had sewn up the pricing just before global markets were hit by the recent turmoil. "You could say that Scania has come to the market at a time when pricing is at its lowest level," said one official in London.

Nevertheless the loan, which involved a 28-strong banking syndicate, proved popular with lenders and was stepped up by $150m to reflect strong demand.

Officials said Scania had narrowed the syndicate down from an initial total of 41 lenders to 28 in order to focus on its core "relationship banks".

CAPITAL MARKETS NEWS DIGEST

IBCA to review Japanese banks

IBCA, Europe's leading credit rating agency, is to review the individual ratings of Japanese banks in the light of mounting concern about the sector's financial strength. The agency, which recently announced a merger with Fitch Investors Service, the New York credit rating agency, said that Japanese banks were under attack on several fronts.

These included the continuing sluggishness of the Japanese economy, which had led to an increase in the volume of non-performing loans on banks' balance sheets. The banks had also been affected by the decline in the Japanese stock market, with the Nikkei index falling to around 16,000. The agency warned of "deep gloom among Japanese investors, who appear to have given up hope that property or share prices will ever offer attractive returns".

According to IBCA's estimates, several leading banks, including Yasuda Trust, LTCB, Nippon Credit Bank, Daiwa Bank, Hokkaido Takushoku, and Fuji Bank, have seen their hidden reserves wiped out by the collapse in Japanese share prices. "The fall in the stock market could hardly have come at a worse time for Japanese banks, which are fully occupied with reserving non-performing loans," the agency said.

As a result, banks would have to increase loan-loss provisioning, which would further erode their paltry return on capital, it said. But the agency, which makes a strong distinction between the individual financial strength of banks and their general risk of default, said it had no plans yet to undertake a general review of their overall long-term credit ratings. Japan, it said, remained an AAA country and the largest creditor nation in the world. It remained unlikely, therefore, that the country would allow any banks to go bankrupt in the next few years.

Edward Luce

■ ESTONIAN BANKS

Change in rules on margin calls

In a move designed to counter further falls in the stock market, four of Estonia's large banks announced yesterday that they would no longer call in repurchase and margin deals from clients.

In the past few days investors with repurchase portfolios had been forced to sell shares held as collateral with the banks to meet margin calls, prompting large falls on the Tallinn bourse. The market is suffering from the effects of a liquidity crunch, and the local index has plummeted more than 40 per cent since its August high.

"The statement was an attempt to cool the market," said a local analyst. Hansabank, the largest financial group in the Baltics, refused to go along. The combined size of repo portfolios in Estonia is estimated to be around EKr1.5bn to EKr2bn. The market fell in early trading yesterday, but recovered somewhat to close down 2 per cent.

Matej Vipotnik, Tallinn

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 11	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.6115	4.98	+0.02	+0.04	−0.12	−1.36
	10/07	10.000	129.0407	6.02	+0.01	−0.04	−0.38	−1.15
Austria	09/99	7.000	104.0300	4.66	+0.01	+0.10	+0.07	+1.01
	07/07	5.625	99.5500	5.68	–	+0.02	+0.02	−0.29
Belgium	04/99	7.000	103.5304	4.42	–	+0.05	−0.09	+0.92
	03/07	6.250	103.5802	5.74	–	–	+0.02	−0.29
Canada*	03/99	4.000	100.0700	3.94	−0.01	−0.06	−0.04	−0.02
	06/07	7.250	112.8000	5.49	–	−0.07	−0.21	−0.66
Denmark	12/99	6.000	102.2100	4.85	+0.02	+0.04	−0.04	+0.48
	11/07	7.000	106.4000	6.13	–	−0.03	−0.01	−0.70
Finland	01/99	11.000	107.3200	4.41	+0.01	+0.04	+0.08	+0.43
	04/06	7.250	109.4050	5.80	−0.01	+0.01	−0.01	−0.75
France	11/99	7.000	104.7300	4.47	−0.01	+0.08	+0.02	+0.66
	10/04	6.750	107.9800	5.35	–	+0.04	+0.01	−0.02
	10/07	5.500	98.9800	5.64	–	+0.02	+0.01	−0.24
	10/25	6.000	97.1900	6.21	−0.01	−0.02	+0.08	−0.57
Germany	06/99	3.500	98.7400	4.33	+0.02	+0.10	+0.03	+0.79
	07/04	6.750	107.5800	5.38	+0.01	+0.04	−0.01	−0.17
	07/07	6.000	102.7800	5.62	+0.01	+0.02	–	−0.26
	07/27	6.500	103.9300	6.20	−0.01	−0.03	+0.06	−0.55
Ireland	04/99	6.250	100.9000	5.53	–	+0.14	–	−0.58
	08/06	8.000	112.5000	6.11	+0.01	+0.03	+0.04	−0.76
Italy	05/00	6.000	101.2800	5.44	+0.02	+0.07	−0.14	−1.20
	05/02	6.250	102.1400	5.70	–	+0.06	−0.09	−1.28
	07/07	6.750	104.2200	6.16	–	+0.03	−0.07	−1.67
	11/26	7.250	107.2200	6.68	–	+0.04	−0.06	−1.68
Japan	06/99	4.800	106.8300	0.48	–	+0.02	−0.03	−0.51
	12/02	4.800	117.2600	1.28	+0.02	+0.05	−0.11	−0.85
	09/05	3.000	109.1900	1.74	+0.02	+0.06	−0.11	−1.01
	03/17	3.500	115.6000	2.48	+0.03	+0.02	−0.18	−0.96
Netherlands	06/98	7.500	104.5500	4.44	–	+0.09	+0.06	+0.86
	02/07	5.750	101.0000	5.60	–	+0.02	–	−0.19
New Zealand	02/00	6.500	99.2048	6.87	−0.02	−0.03	+0.02	−0.06
	11/06	8.000	108.7545	6.67	–	−0.02	−0.02	−0.58
Norway	01/99	9.000	105.1400	4.52	+0.02	+0.01	+0.08	−0.25
	01/07	6.750	106.6000	5.80	–	−0.01	+0.04	−0.68
Portugal	03/99	8.500	104.2801	5.12	−0.03	+0.06	+0.03	−1.47
	02/07	6.625	104.0259	6.04	−0.01	–	−0.02	−1.30
Spain	07/99	7.400	103.9306	4.92	+0.01	+0.05	−0.04	−1.61
	03/07	7.350	109.4201	6.00	−0.02	–	–	−1.52
Sweden	01/99	11.000	106.5020	5.17	+0.01	+0.06	+0.18	−0.39
	08/07	8.000	111.3780	6.39	−0.02	−0.01	+0.10	−1.16
Switzerland	03/99	4.000	102.4600	2.09	–	+0.07	+0.07	−0.05
	06/07	4.500	106.5000	3.66	+0.02	+0.08	+0.10	−0.17
UK	08/99	6.000	98.0391	7.21	+0.14	+0.31	+0.22	+0.52
	11/04	6.750	99.6406	6.81	+0.11	+0.18	+0.22	−0.61
	12/07	7.250	104.2188	6.67	+0.09	+0.11	+0.17	−1.00
	06/21	8.000	117.3750	6.54	+0.07	+0.05	+0.05	−1.31
US*	07/99	5.875	100.1560	5.77	+0.02	+0.04	−0.08	+0.02
	05/04	7.250	107.1640	5.91	−0.01	−0.05	−0.21	−0.13
	08/07	6.125	101.6410	5.90	–	−0.05	−0.24	−0.36
	08/27	6.375	103.0427	6.15	−0.04	−0.10	−0.28	−0.36
ECU	03/99	5.000	100.2900	4.75	+0.01	+0.08	−0.04	+0.42
	04/07	5.500	97.9200	5.79	–	+0.02	−0.01	−0.51

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 11	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.02	+0.40	+0.12	New Zealand	6.67	+1.05	+0.77
Austria	5.68	+0.06	−0.22	Norway	5.80	+0.18	−0.10
Belgium	5.74	+0.12	−0.16	Portugal	6.04	+0.42	+0.14
Canada	5.50	−0.12	−0.40	Spain	6.00	+0.38	+0.10
Denmark	6.13	+0.51	+0.23	Sweden	6.39	+0.77	+0.49
Finland	5.80	+0.18	−0.10	Switzerland	3.66	−1.94	−2.22
France	5.64	+0.02	−0.26	UK	6.67	+1.05	+0.77
Germany	5.62	–	−0.28	US	5.90	+0.28	–
Ireland	6.10	+0.48	+0.20	ECU	5.79	+0.17	−0.11
Italy	6.16	+0.54	+0.26				
Japan	1.74	−3.88	−4.16				
Netherlands	5.60	−0.02	−0.30				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 11	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB–	95.2697	8.39	+0.10	+0.86	+2.51
Poland	07/00	7.750	BBB–	102.7456	6.57	+0.21	+0.03	+0.78
Russia	11/01	9.250	BB–	97.1820	10.13	+0.20	+2.17	+4.32
■ LATIN AMERICA								
Argentina	01/17	11.375	BB	97.2268	11.73	+0.10	+2.29	+5.70
Brazil	11/01	8.875	BB–	97.5589	9.64	+0.20	+1.72	+3.83
Mexico	01/07	9.875	BB	99.4106	9.97	+0.14	+1.40	+4.07
■ ASIA								
China	07/06	7.750	BBB+	102.7488	7.30	+0.10	+0.26	+1.42
Philippines	10/16	8.750	BB+	87.5612	10.25	+0.10	+1.41	+4.24
Thailand	04/07	7.750	A–	84.7205	10.35	+0.29	+2.27	+4.45
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	101.7585	8.34	+0.51	+0.64	+2.55
South Africa	12/98	8.625	BB+	105.2986	6.85	+0.10	+0.03	+1.12
Turkey	05/02	10.000	B	100.6394	9.82	+0.10	+1.14	+4.00
■ BRADY BONDS								
Argentina	03/23	5.500	BB	66.6462	9.44	+0.30	+1.34	+3.34
Brazil	04/24	5.250	BB–	64.2844	9.66	+0.20	+1.34	+3.55
Mexico	12/19	6.250	BB	77.4681	8.53	+0.10	+0.63	+2.48
Venezuela	03/20	6.750	B+	82.5849	8.50	+0.10	+0.56	+2.44

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.86	98.96	+0.32	99.14	98.78	101,896	103,281
Mar	98.35	98.44	+0.32	98.52	98.26	1,825	10,267
Jun	97.92	98.00	+0.32	97.92	97.92	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Mar
98	1.11	0.92	1.35	0.15	0.48	0.92
99	0.73	0.63	1.07	0.27	0.69	1.13
100	0.42	0.41	0.83	0.46	-	1.38
101	0.22	0.25	0.62	-	-	-
102	0.10	0.14	0.45	1.14	-	-

Est. vol. total, Calls 16,366 Puts 20,400. Previous day's open int., Calls 95,929 Puts 104,160.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.61	102.56	-0.03	102.67	102.52	35962	249000
Mar	101.93	101.89	-0.02	101.93	101.90	382	14732

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
10250	0.34	0.39	0.61	0.78	0.28	1.00	1.22	1.39
10300	0.14	0.22	0.43	0.56	0.58	1.33	1.54	1.69
10350	0.04	0.12	0.29	0.42	0.98	1.73	1.90	2.03

Est. vol. total, Calls 7718 Puts 13225. Previous day's open int., Calls 246032 Puts 289954

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.40	103.41	−0.01	103.46	103.33	43,059	235,407
Mar	102.72	102.72	−0.05	102.72	102.70	819	37,680

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.44	111.53	+0.06	111.60	111.44	12562	110942
Mar	111.68	111.72	+0.07	111.70	111.68	20	4261

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11150	0.37	1.39	0.34	1.17
11200	0.17	1.12	0.64	1.40
11250	0.06	0.89	1.03	1.67

Est. vol. total, Calls 1264 Puts 2944. Previous day's open int., Calls 126603 Puts 123044

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.20	103.25	+0.09	103.26	103.15	14,629	93,602
Mar	-	102.76	-	-	-	-	600

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118-13	117-20	-0-23	118-13	117-18	59029	153468
Mar	118-28	118-07	-0-21	118-29	118-07	1575	35703

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
117	0-56	1-50	2-10	2-29	0-18	0-36	0-60	1-15
118	0-25	1-12	1-37	1-54	0-49	0-62	1-23	1-40
119	0-07	0-46	1-07	1-24	1-31	1-32	1-57	2-10

Est. vol. total, Calls 3505 Puts 1544. Previous day's open int., Calls 69476 Puts 29091

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97.90	98.04	+0.32	98.04	97.84	511	6,537

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117-25	117-30	−0-01	117-29	117-14	753,588	609,781
Mar	117-10	117-21	−0-01	117-19	117-06	63,564	117,918
Jun	117-00	117-09	−0-01	117-01	117-00	2,852	13,452

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	130.10			130.18	130.05	1638	n/a
Mar	129.25			129.27	129.21	184	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Nov 10	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA–	103.8675	6.27	+0.01	−0.13	+0.46
NY Tel	08/25	7.00	A+	97.4024	7.21	−0.01	−0.10	+1.06
CWE	05/08	8.00	BBB	108.3407	6.87	+0.03	−0.16	+0.97
■ FINANCIALS								
GECC	05/07	8.75	AAA	116.1898	6.44	+0.02	−0.19	+0.54
Banc One	08/02	7.25	A+	103.7854	6.30	+0.01	−0.17	+0.49
US West	01/07	7.30	BBB+	102.2107	6.96	+0.02	−0.01	+1.06
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A–	99.8942	6.32	+0.01	+0.15	+0.62
Wal Mart	05/02	6.75	AA	102.0001	6.23	+0.01	−0.12	+0.42
Dayton Hud	06/21	9.70	BBB+	127.6039	7.24	–	−0.15	+1.09
■ AGENCIES								
FHLMC	04/07	7.14	N/A	106.7083	6.18	+0.02	−0.25	+0.28
SLMA	03/00	7.50	N/A	103.4925	5.85	+0.01	−0.15	+0.08
FNMA	02/18	8.95	N/A	126.9104	6.53	−0.02	−0.28	+0.38
FFCB	06/06	8.95	N/A	118.1388	6.18	+0.02	−0.21	+0.28
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	102.0000	0.00	–	–	–
AK Stl	12/01	9.13	BB–	104.0000	0.00	–	–	–
Pacalta	06/04	10.75	B–	101.2500	0.00	–	–	–

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Close (Nov 10) — Treasury Bills and Bond Yields

		One month	-	Two year	5.73
Prime rate	8½	Two month	-	Three year	5.77
Broker loan rate	7⅛	Three month	5.32	Five year	5.82
Fed.funds	5½	Six month	5.39	10-year	5.90
Fed.funds at intervention	-	One year	5.46	30-year	6.15

INTERNATIONAL BONDS

Nov 11	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	100.2700	5.71	+0.01	+0.01	+0.09
Spain	01/07	5.750	AA	99.7600	5.78	–	+0.04	+0.16
Philip Morris	03/04	5.375	A	98.2280	5.71	+0.01	+0.15	+0.35
ABN Amro FRN	03/05	3.625	n/a	99.5757	5.61	+0.01	−0.03	+0.13
■ EURO FFR								
Austria	01/04	5.500	AAA	100.5000	5.40	–	+0.06	+0.05
Abbey Nat	02/04	6.000	AA	102.7400	5.47	+0.01	+0.06	+0.12
Cred Foncier	02/04	9.125	A	117.1100	5.78	–	+0.06	+0.43
Abbey Nat FRN	09/08	4.510	n/a	100.2101	4.48	–	+0.02	−1.05
■ EURO LIRA								
EIB	02/07	7.000	AAA	106.3500	6.08	+0.01	−0.10	−0.08
Abbey Nat	02/02	6.800	AA	103.6000	5.81	+0.02	−0.11	+0.11
Walt Disney	08/00	8.625	A	106.4200	5.87	+0.03	−0.24	+0.43
Abbey Nat FRN	03/07	8.000	AA	101.5550	7.55	−0.02	+0.17	+1.39
■ EURO £								
EIB	12/07	7.625	AAA	104.4655	6.99	+0.08	+0.23	+0.32
Dresdner Bk	12/07	7.750	AA	102.4073	7.40	+0.08	+0.25	+0.73
RBS	01/07	8.375	A+	105.6222	7.50	+0.08	+0.24	+0.83
Abbey Nat FRN	02/02	7.400	AA	99.9284	6.93	+0.11	+0.22	+0.02
■ EURO $								
EIB	04/07	7.250	AAA	108.2651	6.34	−0.02	−0.21	+0.44
ABN Amro	06/07	7.125	AA–	103.2492	6.66	−0.02	−0.12	+0.76
Quebec	01/07	7.000	A+	102.5084	6.63	−0.02	−0.12	+0.73
Citicorp FRN	02/04	5.781	A+	99.7440	5.83	−0.04	−0.03	−0.02
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.5601	5.73	−0.03	−0.02	+0.17
Toronto	05/04	8.500	AA+	115.2769	5.63	−0.02	−0.15	+0.07
Bell Canada	07/99	10.625	A+	108.8949	4.91	−0.02	+0.09	+0.10
Deutsche B FRN	09/02	5.875	AAA	101.9515	5.41	–	+0.05	+0.01
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.4500	1.13	+0.01	−0.13	+0.01
Spain	03/02	5.750	AA	119.2000	1.20	+0.03	−0.11	−0.08
Cred Foncier	08/02	4.750	A	114.2014	1.61	+0.02	−0.09	+0.49
Italy FRN	07/99	0.594	AA	100.4217	0.27	–	+0.13	−0.21

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Nov 11	Day's change %	Mon Nov 10	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.00	−0.26	119.62	2.16	9.26
2 5-15 years (20)	156.85	−0.53	157.70	3.72	9.03
3 Over 15 years (4)	188.86	−0.74	190.27	4.60	9.77
4 Irredeemables (4)	228.53	−0.99	230.82	5.40	9.50
5 All stocks (47)	149.87	−0.48	150.73	3.27	9.47
Index-linked					
6 Up to 5 years (2)	210.26	−0.15	210.58	0.68	6.09
7 Over 5 years (10)	213.08	−0.38	214.39	1.10	5.76
8 All stocks (12)	211.71	−0.34	212.92	1.05	5.76

UK Indices

	Low coupon yield Nov 11	Nov 10	Yr. ago	Medium coupon yield Nov 11	Nov 10	Yr. ago	High coupon yield Nov 11	Nov 10	Yr. ago
5 yrs	6.67	6.75	7.23	6.97	6.86	7.30	6.89	6.88	7.34
15 yrs	6.63	6.56	7.81	6.63	6.55	7.80	6.70	6.62	7.82
20 yrs	6.63	6.56	7.90	6.59	6.52	7.87	6.69	6.61	7.89
Irred.†	6.69	6.62	7.98						

	Inflation 5% Nov 11	Nov 10	Yr. ago	Inflation 10% Nov 11	Nov 10	Yr. ago
Up to 5 yrs	3.21	3.23	3.22	2.43	2.55	2.60
Over 5 yrs	3.14	3.13	3.60	2.92	2.94	3.41

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 11	Nov 10	Nov 7	Nov 6	Nov 5	Yr ago	High*	Low*
Govt. Secs. (UK)	99.25	99.87	99.93	99.59	99.89	93.84	101.83	93.31
Fixed Interest	132.36	132.54	132.33	132.13	132.27	115.42	133.54	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 4⅝pc 1998‡‡	3.89	6.34	116	----	116[illegible]	113[illegible]
Exch 9¾pc 1998	9.71	7.19	100[illegible]	–[illegible]	103[illegible]	100[illegible]
Treas 7¼pc 1998‡‡	7.25	7.21	100	–[illegible]	101[illegible]	100
Treas 15½pc '98‡‡	14.51	7.29	106[illegible]	–[illegible]	114[illegible]	106[illegible]
Exch 12pc 1998	11.49	7.42	104[illegible]	–[illegible]	109[illegible]	104[illegible]
Treas 9½pc 1999‡‡	9.28	7.36	102[illegible]	–[illegible]	105[illegible]	97[illegible]
Treas Flg Rate 1999‡‡	–	–	100[illegible]	–[illegible]	100[illegible]	100
Exch 12¼pc 1999	11.53	7.33	106[illegible]	–[illegible]	112[illegible]	106[illegible]
Treas 10½pc 1999	10.04	7.30	104[illegible]	–[illegible]	109[illegible]	104[illegible]
Treas 6pc 1999‡‡	6.12	7.21	98[illegible]	–[illegible]	99[illegible]	96[illegible]
Conv 10¼pc 1999	9.72	7.27	105[illegible]	–[illegible]	109[illegible]	105[illegible]
Treas 8½pc 2000 ‡	8.30	7.27	102[illegible]	–[illegible]	104[illegible]	102[illegible]
Conv 9pc 2000‡‡	8.68	7.21	103[illegible]	–[illegible]	106[illegible]	103[illegible]
Treas 13pc 2000	11.44	7.25	113[illegible]	–[illegible]	119[illegible]	113[illegible]
Treas 14pc 1998-1	13.54	7.29	103[illegible]	–[illegible]	111[illegible]	103[illegible]
Treas 8pc 2000‡‡	7.82	7.12	102[illegible]	–[illegible]	104[illegible]	102
Treas Flg Rate 2001	-	-	100[illegible]	----	100[illegible]	99[illegible]
Treas 10pc 2001	9.25	7.15	108[illegible]	–[illegible]	112[illegible]	98[illegible]
Conv 9½pc 2001‡‡ ‡	8.84	7.12	107[illegible]	–[illegible]	109[illegible]	107[illegible]
Conv 9¾pc 2001 ‡	8.99	7.10	108[illegible]	–[illegible]	110[illegible]	108[illegible]
Treas 7pc 2001‡‡	7.01	7.03	99[illegible]	–[illegible]	101[illegible]	98[illegible]
Exch 12pc 1999-2 ‡	11.41	7.33	105[illegible]	–[illegible]	109[illegible]	105[illegible]
Conv 10pc 2002 ‡	9.00	7.01	111[illegible]	–[illegible]	113[illegible]	109[illegible]
Treas 7pc 2002‡‡	6.98	7.15	100[illegible]	–[illegible]	102[illegible]	97[illegible]
Five to Fifteen Years						
Conv 9½pc 2002 ‡	8.67	7.00	109[illegible]	–½	112[illegible]	108[illegible]
Treas 9¾pc 2002	8.78	7.00	111	–½	122[illegible]	109[illegible]
Exch 9pc 2002 ‡	8.31	7.00	108[illegible]	–½	111[illegible]	106[illegible]
Conv 9¾pc 2003‡‡ ‡	8.88	6.96	112[illegible]	–½	115[illegible]	110[illegible]
Treas 8pc 2003‡‡	7.82	6.90	105[illegible]	–½	107[illegible]	102[illegible]
Treas 13¾pc 2000-3 ‡	11.89	7.21	115[illegible]	–[illegible]	119[illegible]	115[illegible]
Treas 10pc 2003	8.73	6.92	114[illegible]	–[illegible]	117[illegible]	111[illegible]
Treas 11½pc 2001-4	10.20	7.17	112[illegible]	–[illegible]	116[illegible]	112[illegible]
Treas 10pc 2004 ‡	8.62	6.90	116	–[illegible]	119[illegible]	113
Funding 3½pc 1999-4	3.97	5.85	88[illegible]	–[illegible]	98[illegible]	82[illegible]
Conv 9½pc 2004	8.29	6.82	114[illegible]	–[illegible]	118[illegible]	109[illegible]
Treas 6¾pc 2004‡‡	6.77	6.78	99[illegible]	–[illegible]	102[illegible]	94[illegible]
Conv 9½pc 2005	8.23	6.82	115[illegible]	–[illegible]	122[illegible]	110[illegible]
Exch 10½pc 2005 ‡	8.80	6.80	122[illegible]	–[illegible]	126[illegible]	117[illegible]
Treas 12½pc 2003-5	9.83	6.81	127[illegible]	–[illegible]	130[illegible]	124[illegible]
Treas 8½pc 2005‡‡	7.69	6.72	110[illegible]	–[illegible]	114[illegible]	104[illegible]
Conv 9¾pc 2006 ‡	8.12	6.74	120	–[illegible]	123[illegible]	113[illegible]
Treas 7½pc 2006‡‡	7.13	6.72	105[illegible]	–[illegible]	108[illegible]	98[illegible]
Treas 7¾pc 2006‡‡	7.28	6.75	106[illegible]	–[illegible]	110[illegible]	99[illegible]
Treas 8pc 2002-6‡‡	7.70	7.04	103[illegible]	–[illegible]	105[illegible]	100[illegible]
Treas 11¾pc 2003-7	9.75	6.87	120[illegible]	–[illegible]	123[illegible]	115[illegible]
Treas 8½pc 2007‡‡	7.57	6.75	112[illegible]	–[illegible]	116[illegible]	105[illegible]
Treas 7¼pc 2007‡‡	6.98	6.86	104[illegible]	–[illegible]	107[illegible]	96[illegible]
Treas 13½pc 2004-8 ‡	10.11	6.90	133[illegible]	–[illegible]	138[illegible]	131[illegible]
Treas 9pc 2008‡‡	7.61	6.61	118[illegible]	–[illegible]	121[illegible]	108[illegible]
Treas 8pc 2009	7.21	6.65	110[illegible]	–[illegible]	114[illegible]	101
Treas 6¼pc 2010‡‡	6.49	6.67	96[illegible]	–[illegible]	99[illegible]	88[illegible]
Conv 9pc Ln 2011‡‡	7.47	6.68	120[illegible]	–[illegible]	124[illegible]	109[illegible]
Treas 9pc 2012‡‡	7.41	6.68	121[illegible]xd	–[illegible]	125[illegible]	109[illegible]
Treas 5½pc 2008-12‡‡	6.08	6.53	90[illegible]	–[illegible]	93[illegible]	80[illegible]
Treas 7¾pc 2012-15‡‡	7.07	6.72	109[illegible]	–[illegible]	112[illegible]	98[illegible]
Over Fifteen Years						
Treas 8pc 2013‡‡	7.09	6.86	112[illegible]	–[illegible]	116[illegible]	100[illegible]
Treas 8pc 2015‡‡	6.97	6.58	114[illegible]	–[illegible]	118[illegible]	101
Treas 8¾pc 2017‡‡	7.10	6.61	123[illegible]	–[illegible]	126[illegible]	103[illegible]
Exch 12pc 2013-17 ‡	7.89	6.65	152[illegible]	–[illegible]	156[illegible]	138[illegible]
Treas 8pc 2021‡‡	6.82	6.54	117[illegible]	–[illegible]	121[illegible]	101[illegible]
Undated						
Consols 4pc	6.88	–	58[illegible]	–[illegible]	59[illegible]	48[illegible]
War Loan 3½pc‡‡	6.63	–	52[illegible]	–[illegible]	54[illegible]	43[illegible]
Conv 3½pc '61 Aft	4.98	–	70[illegible]	–[illegible]	71[illegible]	68[illegible]
Treas 3pc '66 Aft	7.98	–	42[illegible]	–[illegible]	43[illegible]	36[illegible]
Consols 2½pc	6.69	–	37[illegible]	–[illegible]	38[illegible]	31[illegible]
Treas 2½pc	6.80	–	36[illegible]	–[illegible]	38[illegible]	30[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)						
2½pc '99 ‡	2.82	3.41	186[illegible]	–[illegible]	187[illegible]	179[illegible]
2½pc '01 (78.3)	3.20	3.53	192[illegible]	–[illegible]	193[illegible]	184[illegible]
2½pc '03 (78.8)	3.18	3.41	189[illegible]	–[illegible]	190[illegible]	180[illegible]
4⅜pc '04‡‡ (135.6)	3.15	3.34	122[illegible]	–[illegible]	123[illegible]	117[illegible]
2pc '06 (69.5)	3.17	3.32	203[illegible]	–[illegible]	204[illegible]	189[illegible]
2½pc '09 (78.8)	3.13	3.25	184[illegible]	–[illegible]	185[illegible]	170[illegible]
2½pc '11 (74.6)	3.13	3.23	192[illegible]	–[illegible]	194[illegible]	175[illegible]
2½pc '13 (89.2)	3.13	3.22	160[illegible]	–[illegible]	161[illegible]	144[illegible]
2½pc '16 (81.6)	3.12	3.20	172[illegible]	–[illegible]	174[illegible]	153[illegible]
2½pc '20 (83.0)	3.14	3.21	167[illegible]	–[illegible]	169[illegible]	147[illegible]
2½pc '24‡‡ (97.7)	3.13	3.19	140[illegible]	–[illegible]	141[illegible]	121[illegible]
4⅛pc '30‡‡ (135.1)	3.13	3.19	137[illegible]	–[illegible]	138[illegible]	118[illegible]

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for March 1997: 155.4 and for October 1997: 159.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.13	6.90	136[illegible]	----	139[illegible]	116[illegible]
B'ham 11½pc 2012	8.24	7.18	139½xd	----	141½	126½
Leeds 13½pc 2006	9.41	–	143½	----	144½	132½
Liverpool 3½pc Irred.	7.00	–	50	----	50	37½
LCC 3pc '20 Aft	6.98	–	43	----	43	33
Manchester 11½pc 2007	8.81	7.18	130½	----	132½	121½
Met. Wtr. 3pc 'B'	3.57	6.45	84	----	85	79
N'wide Anglia 3⅞pc 2021	–	3.82	163[illegible]	----	163[illegible]	142[illegible]
4⅛pc IL 2024	–	3.86	154[illegible]	----	155[illegible]	137[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ‡ Indicative price.

صكتا من الاهل

صكنا من الاصل

CURRENCIES AND MONEY

Yen slides as officials keep silent

MARKETS REPORT

By Simon Kuper

The dollar rose above Y125 against the yen for the first time since May 6, as Japanese and American policymakers once again made no attempt to talk down the dollar. The yen is approaching its worst level for the year of just below Y127.

The currency has lost almost Y5 since October 30, hit by Japan's fragile economy, the market crisis in Korea, and fears for Asian stock markets. Ravi Bulchandani, senior currency economist at Morgan Stanley in London, said: "Given that the officials haven't spoken yet, I think the message is that they wouldn't mind the yen dropping to Y130 at the minimum." That would be required to keep Japan's exports competitive with Korea's, given the 17 per cent drop in the Korean won against the dollar this year.

A senior Japanese government official was quoted yesterday as saying that Japan's Economic Planning Agency would omit the word "recovery" from its monthly report on Friday. The report would state simply that the economy had stalled.

The dollar would have risen further yesterday but for renewed attacks on emerging markets. Central banks in Hong Kong, Korea and Brazil and elsewhere sold dollars again in order to defend their own currencies.

The besieged Korean won firmed slightly thanks to buying by Korea's central bank. It rose from 999 against the dollar to 985.

The dollar rose Y1 against the yen to close in London at Y125.1. The pound hit five-year highs against the yen, closing at Y213.2. The D-Mark advanced Y0.6 to Y73.10. The dollar remained inactive against the D-Mark, closing barely changed at DM1.711. The Veterans Day holiday in the US thinned volumes.

■ The pound rose above $1.70 against the dollar for the first time since New Year's Day, as UK retail price data for October unexpectedly nudged higher. The market now expects the Bank of England to increase base rates at least once more from their present level of 7.25 per cent.

Short sterling futures contracts fell sharply yesterday, to price in the higher expected rates. The March 1999 contract dropped 20 basis points to price in base rates of nearly 7.50 per cent. The short sterling market is now pricing in an interest rate peak at above 7.75 per cent in June 1998. Shortly before last week's surprise 25-basis-point rate rise, the market had expected base rates to peak at below 7.50 per cent.

Jeremy Hawkins, chief economist at Bank of America in London, noted that conversely, prospects of German rate rises had receded.

The pound rose 1.7 cents against the dollar and 2.8 pfennigs against the D-Mark to $1.704 and DM2.916.

■ Most currency strategists forecast further attacks on the won. Paul Chertkow, global head of foreign exchange research at UBS in London, said: "I think today was a lull before the storm, because as we've seen in every emerging market case, only policy initiatives induce stability in a currency."

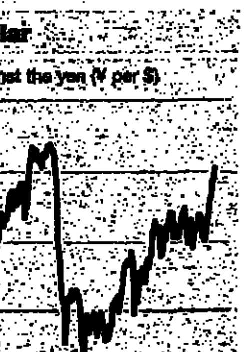
The market has recently rewarded initiatives such as the new Thai government's acknowledgement of the country's financial problems; the $30bn-$40bn rescue package for Indonesia; and Brazil's tough budget measures this week. But Mr Chertkow said that the Korean won and Japanese yen had suffered partly because their governments had apparently done little to alleviate economic problems. He said Korea must take measures to stabilise its financial sector, including persuading weak banks to merge with stronger ones.

But it was not all gloom and doom for Korea. Darren Sharma, a Europe-based bond credit analyst at Societé Generale, a bank that is heavily represented in Seoul, said the country retained at least $25bn in foreign exchange reserves – more than most in the market thought.

■ Goldman Sachs has worked out that Japan could suffer more than twice as much as Europe or the US from the Asian crisis. Exports to Asia account for 6.3 per cent of Japan's gross national product. Exports to Asia excluding Japan make up just 2.6 per cent of US GNP and 2.2 per cent of European Union GNP.

■ Pound in New York

Nov 11	—Latest—	– Prev. close –
£ spot	1.7045	1.6970
1 mth	1.7019	1.6946
3 mth	1.6970	1.6897
1 yr	1.6746	1.6689



■ OTHER CURRENCIES

Nov 11	£	$
Czech Rp	55.5545 - 55.6284	32.6120 - 32.6400
Hungary	330.718 - 330.956	194.140 - 194.190
Iran	5112.60 - 5110.50	3000.00 - 3000.00
Kuwait	0.5163 - 0.5167	0.3031 - 0.3032
Poland	5.9708 - 5.9906	3.5050 - 3.5150
Russia	10080.9 - 10089.0	5906.00 - 5908.00
U.A.E.	6.2568 - 6.2589	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Nov 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.5229	+0.1995	115 - 343	20.5344	20.3447	20.4541	4.0	20.3395	3.7	19.8318	3.4	102.8
Belgium	(BFr)	60.1315	+0.5499	824 - 805	60.1810	59.5990	59.9385	3.9	59.5832	3.6	58.1019	3.4	102.6
Denmark	(DKr)	11.0968	+0.106	925 - 011	11.1020	11.0061	11.0623	3.7	10.9984	3.5	10.7503	3.1	104.8
Finland	(FM)	8.7827	+0.0839	746 - 908	8.7910	8.7060	8.7523	4.1	8.6997	3.8	8.5017	3.2	81.5
France	(FFr)	9.7677	+0.095	628 - 725	9.7749	9.6926	9.7341	4.1	9.6726	3.9	9.4265	3.5	106.0
Germany	(DM)	2.9159	+0.0284	143 - 174	2.9174	2.8898	2.906	4.1	2.888	3.8	2.8145	3.5	103.8
Greece	(Dr)	457.557	+4.263	151 - 963	457.990	453.166	472.512	–39.2	476.203	–16.3	502.393	–9.8	65.9
Ireland	(I£)	1.1200	+0.0087	179 - 221	1.1225	1.1124	1.119	1.1	1.1164	1.3	1.0978	2.0	98.2
Italy	(L)	2856.62	+27.52	479 - 845	2859.58	2836.75	2855.11	0.6	2850.3	0.9	2803.61	1.9	76.4
Luxembourg	(LFr)	60.1315	+0.5499	824 - 805	60.1810	59.5990	59.9385	3.9	59.5832	3.6	58.1019	3.4	102.6
Netherlands	(Fl)	3.2673	+0.0355	661 - 684	3.2684	3.2378	3.2761	4.1	3.2559	3.8	3.1731	3.5	101.9
Norway	(NKr)	11.9166	+0.1735	095 - 236	11.8236	11.7869	11.8773	4.0	11.8066	3.8	11.5423	3.1	99.0
Portugal	(Es)	297.671	+3.011	516 - 826	298.506	294.984	297.169	2.0	296.033	2.2	289.844	2.6	92.1
Spain	(Pta)	246.187	+2.291	037 - 237	246.290	244.440	245.664	2.3	244.868	2.4	239.46	2.7	77.3
Sweden	(SKr)	12.7512	+0.116	439 - 584	12.7682	12.6547	12.7174	3.2	12.6589	2.9	12.4439	2.4	86.0
Switzerland	(SFr)	2.3752	+0.026	737 - 766	2.3780	2.3548	2.3636	5.8	2.3427	5.5	2.2526	5.2	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.8
Ecu	-	1.4753	+0.012	740 - 766	1.4787	1.4650	1.4717	3.0	1.4646	2.9	1.4336	2.8	-
SDR†	-	1.21991	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.7037	+0.0172	033 - 041	1.7074	1.6972	-	-	-	-	-	-	-
Brazil	(R$)	1.8819	+0.0178	813 - 824	1.8870	1.8764	-	-	-	-	-	-	-
Canada	(C$)	2.3965	+0.0234	955 - 974	2.4014	2.3691	2.3891	3.7	2.375	3.6	2.3196	3.2	83.3
Mexico	(New Peso)	14.1168	+0.1733	709 - 627	14.2447	14.0700	14.3079	–16.2	14.6655	–15.5	16.0946	–14.0	-
USA	($)	1.7039	+0.0168	035 - 043	1.7080	1.6978	1.7013	1.8	1.6964	1.8	1.6739	1.8	105.1
Pacific/Middle East/Africa													
Australia	(A$)	2.4427	+0.0214	412 - 441	2.4476	2.4266	2.4373	2.6	2.4263	2.7	2.3773	2.7	88.1
Hong Kong	(HK$)	13.1737	+0.1336	698 - 776	13.2011	13.1257	13.2531	–7.2	13.4042	–7.0	13.7285	–4.2	-
India	(Rs)	62.4395	+0.7272	822 - 967	62.5490	62.1630	-	-	-	-	-	-	-
Israel	(Shk)	6.0252	+0.0664	152 - 351	6.0360	6.0044	-	-	-	-	-	-	-
Japan	(Y)	213.158	+3.812	023 - 293	213.810	211.130	211.853	7.3	209.318	7.2	198.323	7.0	121.1
Malaysia	(M$)	5.6553	+0.0585	454 - 651	5.6874	5.6130	5.6607	–1.1	5.695	–2.8	5.832	–3.1	-
New Zealand	(NZ$)	2.7139	+0.0187	121 - 156	2.7218	2.7005	2.7137	0.1	2.7132	0.1	2.7078	0.2	106.5
Philippines	(Peso)	57.5919	–0.3752	931 - 906	58.0648	57.0472	58.0902	–10.4	59.7013	–14.7	64.7379	–12.4	-
Saudi Arabia	(SR)	6.3914	+0.0634	890 - 937	6.4059	6.3691	6.3845	1.3	6.3701	1.3	6.2973	1.5	-
Singapore	(S$)	2.6820	+0.0295	796 - 843	2.6897	2.6698	2.6813	0.3	2.6736	1.3	2.6456	1.4	-
South Africa	(R)	8.2026	+0.0634	981 - 071	8.2258	8.1832	8.2641	–9.0	8.3675	–8.0	8.757	–6.8	-
South Korea	(Won)	1687.29	+1.76	561 - 898	1698.97	1681.08	-	-	-	-	-	-	-
Taiwan	(T$)	52.8226	+0.5746	949 - 503	52.9343	52.6487	52.7807	1.4	52.6457	1.3	52.0809	1.4	-
Thailand	(Bt)	64.9187	+1.933	330 - 043	65.1050	63.6430	65.0748	–2.9	65.3885	–2.9	67.4584	–3.9	-

† Rates for Nov 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.0447	–0.002	408 - 485	12.0490	11.9315	12.0227	2.2	11.9882	1.9	11.8477	1.6	102.7
Belgium	(BFr)	35.2905	–0.0265	700 - 110	35.3120	34.9480	35.231	2.0	35.123	1.9	34.7105	1.6	102.6
Denmark	(DKr)	6.5128	–0.0022	116 - 136	6.5154	6.4673	6.5023	1.9	6.4833	1.8	6.4223	1.4	104.4
Finland	(FM)	5.1545	–0.0017	509 - 580	5.1583	5.1170	5.1445	2.3	5.1283	2.0	5.079	1.5	81.2
France	(FFr)	5.7325	–0.001	310 - 340	5.7345	5.6780	5.7215	2.3	5.7019	2.1	5.6314	1.8	105.7
Germany	(DM)	1.7113	–0.0003	108 - 118	1.7120	1.6945	1.7081	2.3	1.7024	2.1	1.6814	1.8	103.6
Greece	(Dr)	268.535	–0.155	360 - 710	268.710	265.880	277.735	–41.1	280.71	–18.1	300.13	–11.8	65.7
Ireland	(I£)	1.5214	+0.0033	189 - 239	1.5321	1.5189	1.5205	0.7	1.5195	0.5	1.5249	–0.2	-
Italy	(L)	1676.52	–0.43	584 - 720	1677.36	1663.00	1678.19	–1.2	1680.19	–0.9	1674.89	0.1	76.2
Luxembourg	(LFr)	35.2905	–0.0265	700 - 110	35.3120	34.9480	35.231	2.0	35.123	1.9	34.7105	1.6	102.6
Netherlands	(Fl)	1.9293	+0.0018	290 - 295	1.9298	1.9097	1.9256	2.3	1.9193	2.1	1.8957	1.7	101.9
Norway	(NKr)	6.9937	+0.033	912 - 962	6.9970	6.9189	6.9813	2.1	6.9609	1.9	6.8954	1.4	99.0
Portugal	(Es)	174.700	+0.04	650 - 750	175.540	172.920	174.672	0.2	174.505	0.4	173.155	0.9	92.6
Spain	(Pta)	144.455	–0.085	430 - 480	144.520	143.530	144.398	0.5	144.225	0.6	143.055	1.0	77.1
Sweden	(SKr)	7.4835	–0.006	810 - 860	7.4884	7.4294	7.4751	1.4	7.4621	1.1	7.434	0.7	85.9
Switzerland	(SFr)	1.3940	+0.0015	934 - 945	1.3948	1.3840	1.3893	4.0	1.381	3.7	1.3458	3.5	108.0
UK	(£)	1.7039	+0.0168	035 - 043	1.7080	1.6978	1.7013	1.8	1.6964	1.8	1.6739	1.8	102.7
Ecu	-	1.1550	+0.0021	542 - 557	1.1630	1.1542	1.1561	–1.1	1.1586	–1.2	1.1677	–1.1	-
SDR†	-	0.725058	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0002	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1045	–0.0004	044 - 045	1.1046	1.1044	-	-	-	-	-	-	-
Canada	(C$)	1.4065	–0.0002	062 - 067	1.4071	1.4035	1.4043	1.9	1.4	1.8	1.3858	1.5	83.0
Mexico	(New Peso)	8.2850	+0.02	600 - 100	8.3150	8.2600	8.41	–18.1	8.645	–17.4	9.615	–16.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.7
Pacific/Middle East/Africa													
Australia	(A$)	1.4336	–0.0016	331 - 341	1.4341	1.4294	1.4328	0.7	1.4302	0.9	1.4195	1.0	89.0
Hong Kong	(HK$)	7.7315	+0.002	310 - 320	7.7383	7.7293	7.79	–9.1	7.9015	–8.8	8.2015	–6.1	-
India	(Rs)	36.6450	+0.065	200 - 700	36.6700	36.5600	-	-	-	-	-	-	-
Israel	(Shk)	3.5361	+0.004	311 - 411	3.5411	3.5241	-	-	-	-	-	-	-
Japan	(Y)	125.100	+1.01	050 - 150	125.260	124.250	124.52	5.6	123.385	5.5	118.48	5.3	123.0
Malaysia	(M$)	3.3190	+0.0015	140 - 240	3.3240	3.3000	3.3272	–3.0	3.357	–4.6	3.484	–5.0	-
New Zealand	(NZ$)	1.5927	–0.0049	921 - 934	1.5936	1.5906	1.5958	–2.3	1.6012	–2.1	1.62	–1.7	-
Philippines	(Peso)	33.8000	–0.56	500 - 500	34.2000	33.4000	34.1445	–12.2	35.1925	–16.5	38.6745	–14.4	-
Saudi Arabia	(SR)	3.7510	+0.0001	505 - 515	3.7515	3.7505	3.7527	–0.5	3.755	–0.4	3.762	–0.3	-
Singapore	(S$)	1.5740	+0.0017	730 - 750	1.5765	1.5730	1.576	–1.5	1.578	–0.5	1.5805	–0.4	-
South Africa	(R)	4.8140	–0.0105	125 - 155	4.8275	4.8120	4.8575	–10.8	4.9325	–9.8	5.2315	–8.7	-
South Korea	(Won)	990.250	–8.85	500 - 000	994.900	988.000	-	-	-	-	-	-	-
Taiwan	(T$)	31.0010	+0.031	920 - 100	31.0310	30.9550	31.012	–0.4	31.0335	–0.4	31.1135	–0.4	-
Thailand	(Bt)	38.1000	+0.765	000 - 000	38.2000	36.5000	38.25	–4.7	38.545	–4.7	40.3	–5.8	-

† SDR rate per $ for Nov 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 10: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

November 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3⅞	3⅝	4½	4⅛	6.00	2.75	-
France	3⅞	3¼	3⅝	3⅞	4⅞	3.30	-	4.60
Germany	3¼	3¼	3⅞	3⅞	4¼	4.50	2.50	3.30
Ireland	6⅛	6⅛	6⅛	6⅛	5⅞	-	-	6.75
Italy	6⅞	6⅞	6⅝	6⅛	5⅞	7.75	6.25	6.02
Netherlands	3¼	3¼	3⅞	3⅞	4⅞	-	2.75	3.30
Switzerland	1⅝	1⅝	2	2⅛	2¼	-	1.00	-
US	5⅝	5⅝	5⅝	5⅞	5⅞	-	5.00	-
Japan	¼	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	5⅝	6⅛	-	-	-
US Dollar CDs	-	5.48	5.49	5.56	5.70	-	-	-
ECU Linked Ds	-	4½	4⅛	4⅝	4⅞	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅝	4⅛	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	4⅛ - 3⅞	[illegible]
Danish Krone	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4 - 3⅞	4⅛ - 4⅛	[illegible]
German Mark	3¾ - 3⅞	3⅞ - 3⅞	3½ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	[illegible]
Dutch Guilder	3½ - 3⅞	3⅞ - 3⅞	3½ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	[illegible]
French Franc	3⅞ - 3⅞	3½ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	[illegible]
Portuguese Esc.	5¼ - 5⅞	5½ - 5⅞	5½ - 5⅞	5⅞ - 5⅜	5¼ - 5⅞	[illegible]
Spanish Peseta	5⅛ - 5⅛	5⅛ - 5⅞	5⅛ - 5⅞	5⅛ - 5⅛	5⅞ - 4⅞	[illegible]
Sterling	7⅞ - 7⅛	7⅞ - 7⅞	7⅞ - 7⅞	7⅝ - 7½	7⅞ - 7¾	[illegible]
Swiss Franc	1½ - 1¼	1⅝ - 1⅜	1⅞ - 1⅞	2 - 1¾	2⅛ - 1⅞	[illegible]
Canadian Dollar	3½ - 3⅞	3⅞ - 3½	3⅞ - 3⅞	4 - 3⅞	4⅛ - 4⅛	[illegible]
US Dollar	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	[illegible]
Italian Lira	6¾ - 6½	6⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞	6⅝ - 6⅞	[illegible]
Japanese Yen	½ - ⅞	⅞ - ½	½ - ½	½ - ⅛	⅞ - ⅛	[illegible]
Asian $Sing	½ - ⅜	4 - 3¾	4¾ - 4½	4¾ - 4⅝	4⅞ - 4⅝	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.24	96.23	+0.01	96.25	96.22	11,047	52,462
Mar	95.95	95.94	+0.02	95.97	95.93	9,503	53,906
Jun	95.66	95.69	+0.03	95.71	95.68	7,334	31,913

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.19	96.17	-0.01	96.19	96.16	16597	295846
Mar	95.91	95.90	-0.01	95.93	95.88	21930	311307
Jun	95.67	95.65	-0.01	95.67	95.63	11285	262311
Sep	95.47	95.46	-0.01	95.49	95.44	9417	202398

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		96.46	-			0	148
Dec		96.16	-0.01			0	6109
Jan		96.23	-0.01			0	200
Feb		96.12	-0.01			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.62	93.57	-0.05	93.62	93.54	11901	105741
Mar	94.33	94.29	-0.05	94.33	94.26	14092	109778
Jun	94.81	94.80	-0.04	94.82	94.79	9863	111075
Sep	94.95	94.95	-0.03	94.96	94.92	2563	66594

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.90	97.87	-0.03	97.90	97.85	5499	74112
Mar	97.70	97.67	-0.04	97.70	97.65	5973	54218
Jun	97.50	97.47	-0.04	97.50	97.46	2438	32655
Sep	97.32	97.30	-0.04	97.32	97.29	327	20105

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.49	-			0	n/a
Mar		99.48	+0.01			0	n/a
Jun		99.41	+0.01			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.32	95.31	-0.01	95.33	95.28	381	8770
Mar	95.24	95.22	-0.02	95.24	95.21	197	6588
Jun	95.20	95.17	-0.03	95.20	95.16	105	6990
Sep	95.10	95.10	-0.04	95.10	95.10	25	6666

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.15	0.84	1.33	0.08	0.05	0.03
9375	0.05	0.63	1.10	0.23	0.09	0.08
9400	0.01	0.43	0.88	0.44	0.14	0.08

Est. vol. total, Calls 5042 Puts 2199. Previous day's open int., Calls 230274 Puts 119810

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.24	4.849	1.863	4751	5.467	19.82	495.0	409.3	21.21	3.950	1.663	3.988	2.834	354.5	2.453
Denmark	(DKr)	54.19	10	8.802	2.626	1.009	2574	2.962	10.74	268.2	221.8	11.49	2.140	0.901	2.160	1.535	192.1	1.329
France	(FFr)	61.56	11.36	10	2.985	1.147	2925	3.366	12.20	304.8	252.0	13.05	2.432	1.024	2.454	1.744	218.2	1.510
Germany	(DM)	20.62	3.806	3.350	1	0.384	979.7	1.127	4.087	102.1	84.41	4.373	0.815	0.343	0.822	0.584	73.10	0.506
Ireland	(I£)	53.69	9.906	8.721	2.604	1	2551	2.935	10.64	265.8	219.8	11.39	2.121	0.893	2.140	1.521	190.3	1.317
Italy	(L)	2.105	0.389	0.342	0.102	0.039	100	0.115	0.417	10.42	8.616	0.446	0.083	0.035	0.084	0.060	7.462	0.052
Netherlands	(Fl)	18.29	3.376	2.971	0.887	0.341	869.0	1	3.625	90.55	74.87	3.879	0.723	0.304	0.729	0.518	64.84	0.449
Norway	(NKr)	50.46	9.312	8.197	2.447	0.940	2397	2.759	10	249.8	206.6	10.70	1.993	0.839	2.011	1.430	178.9	1.238
Portugal	(Es)	20.20	3.728	3.281	0.980	0.376	959.7	1.104	4.003	100	82.69	4.284	0.798	0.336	0.805	0.572	71.61	0.496
Spain	(Pta)	24.43	4.508	3.968	1.185	0.455	1161	1.336	4.841	120.9	100	5.181	0.965	0.406	0.974	0.692	86.60	0.599
Sweden	(SKr)	47.16	8.703	7.660	2.287	0.878	2240	2.578	9.346	233.4	193.0	10	1.863	0.784	1.879	1.336	167.2	1.157
Switzerland	(SFr)	25.32	4.672	4.112	1.228	0.472	1203	1.384	5.017	125.3	103.6	5.368	1	0.421	1.009	0.717	89.74	0.621
UK	(£)	60.13	11.10	9.768	2.916	1.120	2857	3.287	11.92	297.7	246.1	12.75	2.375	1	2.397	1.704	213.2	1.475
Canada	(C$)	25.09	4.630	4.076	1.217	0.467	1192	1.372	4.972	124.2	102.7	5.321	0.991	0.417	1	0.711	88.94	0.616
USA	($)	35.29	6.513	5.733	1.711	0.657	1677	1.929	6.994	174.7	144.5	7.484	1.394	0.587	1.407	1	125.1	0.866
Japan	(Y)	28.21	5.206	4.582	1.368	0.525	1340	1.542	5.590	139.6	115.5	5.982	1.114	0.469	1.124	0.799	100	0.692
Ecu	-	40.76	7.522	6.621	1.977	0.759	1936	2.228	8.078	201.8	166.8	8.643	1.610	0.678	1.625	1.155	144.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5866	0.5867	–0.0001	0.5912	0.5857	21,417	78,780
Mar	0.5859	0.5897	+0.0001	–	–	349	3,299
Jun	–	0.5922	+0.0001	–	0.5887	2	2,659

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8080	0.8080	–	0.8087	0.8017	13,568	132,192
Mar	–	0.8187	–0.0002	–	–	225	1,439
Jun	–	0.8325	+0.0025	–	0.8325	15	268

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7223	0.7224	–0.0001	0.7255	0.7200	11,773	52,117
Mar	0.7290	0.7285	–0.0005	0.7290	0.7280	202	2,715
Jun	–	0.7360	+0.0006	–	–	2	267

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6930	1.6926	+0.0022	1.7060	1.6930	8,676	54,065
Mar	–	1.6854	+0.0020	–	–	163	627
Jun	–	1.6770	+0.0014	–	1.6830	1	74

UK INTEREST RATES

LONDON MONEY RATES

Nov 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅞ - 6	7⅞ - 7⅛	7½ - 7⅞	7⅞ - 7⅞	7¾ - 7⅝	7⅞ - 7¾
Sterling CDs	-	-	7⅞ - 7⅛	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞
Treasury Bills	-	-	7¼ - 7⅛	7⅛ - 7⅛	-	-
Bank Bills	-	-	7¼ - 7⅛	7⅞ - 7⅞	7⅞ - 7¼	-
Local authority deps.	6⅞ - 6¾	7 - 6¾	7¼ - 7⅞	7⅞ - 7⅞	7⅞ - 7¼	7½ - 7⅞
Discount Market deps	7¼ - 7	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Nov 7, 7.2186pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1997. Agreed rate for period Nov 26, 1997 to Dec 23, 1997, Scheme III 8.59pc. Reference rate for period Oct 1, 1997 to Oct 31, 1997, Schemes IV & V 7.344pc. Finance House Base Rate 7½pc from Nov 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.39	92.31	-0.07	92.39	92.29	21934	139942
Mar	92.27	92.17	-0.09	92.28	92.16	37683	126423
Jun	92.27	92.15	-0.12	92.28	92.12	34580	103308
Sep	92.39	92.25	-0.14	92.39	92.22	19308	75780
Dec	92.57	92.40	-0.18	92.57	92.37	11468	65105

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9225	0.11	0.12	0.21	0.05	0.20	0.31
9250	0.02	0.04	0.11	0.21	0.37	0.46
9275	0	0.01	0.05	0.44	0.59	0.65

Est. vol. total, Calls 17405 Puts 27516. Previous day's open int., Calls 211130 Puts 217891

EMS EUROPEAN CURRENCY UNIT RATES

Nov 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.757721	–0.000368	–5.13	8.01	35
Italy	1906.48	1933.49	+3.15	1.42	1.04	–10
Finland	5.85424	5.94132	+0.00532	1.49	0.96	–10
Spain	163.826	166.558	+0.151	1.67	0.79	–12
Portugal	197.398	201.233	+0.026	1.94	0.51	–13
Denmark	7.34555	7.50637	+0.00582	2.19	0.27	–15
France	6.45863	6.60616	+0.00742	2.28	0.18	–19
Germany	1.92573	1.97235	+0.0019	2.42	0.04	–24
Belgium	39.7191	40.6662	+0.036	2.43	0.03	–18
Netherlands	2.16979	2.22331	+0.0021	2.47	0.00	–18
Austria	13.5485	13.8827	+0.0133	2.47	0.00	–18
NON ERM MEMBERS						
Greece	295.269	309.464	+0.166	4.81	–2.23	–
UK	0.793103	0.677405	–0.004654	–14.59	19.97	–

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.680	1.83	2.70	3.42	0.28	1.41	2.38
1.690	1.11	2.17	2.89	0.56	1.84	2.80
1.700	0.60	1.64	2.51	1.06	2.37	3.35

Previous day's vol., Calls 190 Puts 885. Prev. day's open int., Calls 30,136 Puts 26,461

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.580	0.68	1.19	1.52	0.11	0.49	0.72
0.585	0.37	0.89	1.23	0.26	0.70	0.94
0.590	0.16	0.65	0.98	0.55	0.96	1.19

Previous day's vol., Calls 142 Puts 620. Prev. day's open int., Calls 11,910 Puts 34,698

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.18	94.18	-0.02	94.18	94.15	45,240	539,263
Mar	94.14	94.14	-0.03	94.15	94.11	44,348	429,614
Jun	94.09	94.08	-0.03	94.09	94.05	37,244	341,239

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.96	94.94	-0.03	94.96	94.93	412	4,718
Mar	95.01	95.01	-0.04	95.02	95.01	160	5,076
Jun	94.94	94.94	-0.04	94.94	94.94	18	530

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9600	0.18	0.20	0.05	0.09	0.01	0.03	0.15	0.19
9625	0.01	0.03	0.01	0.03	0.09	0.11	0.35	0.38
9650	0	0.01	0	0.01	0.33	0.34	0.60	0.61
9675	0	0	0	0	0.58	0.58	0.85	0.85

Est. vol. total, Calls 1609 Puts 511. Previous day's open int., Calls 391760 Puts 319900

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9800	0.06	0.09	0.10	0.19	0.42	0.63
9825	0.02	0.03	0.04	0.40	0.61	0.82

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3325 Puts 3269

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.00		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.25		

COMMODITIES AND AGRICULTURE

Amoco operations under threat in Egypt

By Mark Huband in Cairo

Egypt's leading foreign oil company may have to wind up its operations in the country within four years because extraction will be unprofitable by then, said a *senior industry official.*

Production by the main companies has fallen by 100,000 barrels a day since 1995 to 820,000 bpd. Fields run by Amoco, the largest operator, are expected to see a 25 per cent fall in output until 2001. Others are expected to see a 10 per cent fall over the same period.

Until recently Amoco's Egyptian subsidiary, AEOC, produced half Egypt's output. It operates as a joint venture with Egyptian General Petroleum Company and puts current output at 300,000 bpd, down 25 per cent since 1995.

While Egypt's crude oil reserves *stood at an estimated* 3.7bn *barrels* at the end of last year, the cost of relocating drilling platforms is between $2m and $15m for the largest operators.

AEOC officials are reluctant to detail their strategy after 2001 but acknowledge declining production will require extensive reassessment of their strategy.

Gary Bose, vice-president for asset management, said the Amoco production decline caused problems.

"So every five years we have to replace what we have. The technical task is daunting," Mr Bose *said.* "We want to invest, but sometimes we don't want the capital exposure."

Amoco's investment in Egyptian oil exploration stands at $5bn, having risen $200m a year since 1964. "Since the 1970s people have found many small fields but these can't arrest the decline," said Mr Bose.

For the larger companies, continued exploration is dependent on the chances of renegotiating leases to improve terms. At present oil companies foot the entire bill for exploration, expecting to recover their costs in five years if *oil is found.*

So far only Eni, the Italian oil company, has succeeded in renegotiating its leases. Through its Agip subsidiary, Eni's Egyptian Petrobel company renegotiated all 12 of its development leases.

The renegotiation allowed the company, which will invest $370m in Egyptian operations this year, to extend its projected oil exploration programme. Petrobel currently produces a total 290,000 bpd in a joint venture with EGPC, making it the second largest producer in Egypt.

EGPC, which is regarded by *both medium and large oil companies* as a sound partner in joint ventures, is not considering reducing its share to allow the oil companies improved terms.

"Nobody has told us that oil extraction is too expensive. Nobody has come to complain," said Sami Shaheen, EGPC vice-president. "If this is the case then they would have to review their operating costs. We can't change the price," he said.

The leading oil companies are exploring other alternatives, with the main hope coming from expanding liquid natural gas *operations, which will* see a total investment target of $2bn over the next three years.

And there is some future for oil extraction – with smaller companies with lower overheads seen as the way forward. Bidding is now under way for concessions in 12 new concession blocks in smaller oil fields.

Jamaica to help sugar industry

By Canute James in Kingston

The Jamaican government is to inject J$400m (US$11.5m) into the island's financially troubled cane sugar industry by next March.

The announcement by Percival Patterson, prime minister, followed the sacking last month of more than 200 workers by the island's largest sugar producer, which said it had to cut costs to remain competitive.

"The island's sugar mills have a heavy debt burden and the government is prepared to alleviate some of that debt," said Mr Patterson. "As we did for the coffee industry, we will be doing the same for the sugar industry."

Jamaica produced 236,000 tonnes of sugar this year, allowing it to meet its export quota commitments to the European Union and the US. However, the industry has had to import sugar to meet domestic demand.

● Turkey has revised upwards its sugar output estimates to 2m tonnes in 1996-97 from 1.85m tonnes, due to favourable weather during the harvest, Reuters reports from Ankara.

A senior sugar official said Turkseker, the state sugar refinery, had been mandated to export a further 100,000 tonnes of white sugar after it sold nearly all its previous allocation of *200,000 tonnes from the* 1996-97 crop.

"Turkseker will produce 1.65m tonnes, and if you include three private sugar millers, the total is 2m tonnes this year," he said.

Turkseker's previous output estimate was 1.5m tonnes and the total for Turkey was estimated at 1.85m tonnes for 1996-97, including 350,000 tonnes from private companies.

Nickel, aluminium and zinc make gains

MARKETS REPORT

By Kenneth Gooding and Gary Mead

Nickel, aluminium and zinc all made gains on the London Metal Exchange yesterday but copper, which was buoyed on Monday by a speculative rally, fell back below $2,000 a tonne.

Nickel for delivery in three months closed 1.2 per cent, or $75 a tonne, higher at $6,360 because of a speculative, short covering rally, traders said.

Three-month aluminium and zinc each rose by 0.8 per cent, the former by $13 a tonne to $1,639, and the latter by $10 to $1,203 a tonne.

Copper's performance was affected by an announcement that Refimet, the Chilean refiner, was lifting the *force majeure* it declared on deliveries last month.

The LME said it was cancelling 146 warrants of tin because the metal was not up to the required standard – it had a high arsenic content. Consequently, LME tin stocks, earlier reported at 9,406 tonnes, were recalculated to be 8,675 tonnes.

This has tightened tin market conditions and there is a premium, of $30 a tonne last night, for tin for immediate delivery.

Gold bears were in full cry, claiming that this newspaper would this week publish an article advocating that the precious metal should not be included in a European Central Bank's reserves. Andrew Gowers, acting editor, denied this. In the event, the gold price rose by nearly $2 to close at $312.50 an ounce.

The persisting stalemate between Iraq and the UN over the inclusion of US members in weapons inspection teams left the crude oil markets in limbo yesterday.

December-dated Brent on the London International Petroleum Exchange was up 13 cents in late trading to $19.58 a barrel, while on the New York Mercantile Exchange December crude was trading at $20.50 a barrel by midday, up 10 cents.

Data published yesterday by Stitching Euroilstock, the Dutch-based analyst, indicated European Union and Norwegian crude oil stocks were marginally lower in October than in September.

Crude oil stocks at the end of October were 416.83m barrels, 0.7 per cent (2.92m barrels) lower than in September.

Coffee futures were undermined by a series of fresh data indicating the possibility of slight shortages in 1997-98 but with increasing supplies in 1998-99. On Liffe the January contract ended $11 higher at $1,620 a tonne.

Global coffee production for 1997-98 is likely to drop by more than 3.5 per cent against 1996-97, F. O. Licht, the commodity research organisation in Germany, said yesterday. It predicted output for the current year of 98.8m 60kg bags, against 102.43m bags last year.

Coffee inventories are also forecast to fall marginally in 1997-98, according to Bernhard Rothfos, the German trader. Opening stocks were 32.9m bags on October 1; Rothfos forecast that these would fall to 31.3m in 1997-98.

"These figures show we still are headed for a well supplied market in 1998-99, but the current year is looking slightly tight," said Lawrence Eagles, at GNI.

"There may soon be squeezes on the December contract on the CSCE [the Coffee, Sugar and Cocoa Exchange in New York] as deliverable supplies are now looking very low indeed," Mr Eagles added.

China rationalises metals policy

By Kenneth Gooding, Mining Correspondent

China, one of the world's biggest metals consumers, is centralising trading operations in a way that has substantial implications for metals markets.

The short-term impact has been to throw many London Metal Exchange traders into confusion, because they fear they will lose Chinese contacts they have carefully nurtured.

The move is also seen as part of China's shift towards having long-term supply arrangements as a means of securing the metals it needs, rather than relying so much on spot markets.

Traders suggest the timing of the move, announced out of the blue by Guang Yang, assistant president at China Nonferrous Metals Corporation (CNNC), at Metal Bulletin's China Metals conference, was connected with the country's recent experience in the zinc market.

Chinese zinc producers suffered substantial losses by going short – in effect betting on a fall in the LME price – at $1,200 a tonne and then having to cover at prices up to $1,800.

This affected the financial performance of China Nonferrous Import and Export Corporation (CNIEC).

CNNC's profitability has also been dented by its "flawed calculations of output, cost, metals prices and bank interest payments," according to China Metals, published by the official Xinhua news agency. It reported that CNNC's losses totalled Yn960m ($115.6m) in the first five months of 1997.

Nevertheless, CNNC, which had set itself a 1997 profit target of Yn1bn, had reported a steady improvement in its results since May, but had given no details, the magazine added.

In future, all China's metals trading will be centralised with a newly created organisation, CNNC Trading Group, which has absorbed the trading activities of both CNNC and CNIEC.

Other CNNC subsidiaries have been banned from trading on the LME. The Trading Group will also co-ordinate all long-term contracts signed with foreign companies.

Xu Hanjing, CNIEC managing director, who is politically well connected, has been appointed managing director of CNNC Trading.

Jim Lennon, analyst at Macquarie, the Australian banking group, suggested CNNC wanted to regain control after another "rogue" trader, this time at one of the zinc smelters, had made substantial losses. China had a similar experience in the past in the copper market.

Mr Lennon predicted, however, the change would meet with some resistance. "A lot of the smelters resent it. They want to make profits on their own account."

Robin Bhar, analyst at Brandeis (Brokers), part of Pechiney of France, suggested it made sense for China to co-ordinate its metals policies, particularly now it was seeking more long-term supply contracts with foreign groups.

"With metals markets much more in balance [than in the 1970s and 1980s] China obviously feels it is dangerous to rely on spot markets for 40 to 50 per cent of its metals requirements," Mr Bhar said. If there was a gradual reduction in China's involvement, trading on the LME might become less volatile.

David Dodwell

Copper mining in China's Huangshi province

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1609.5-11.5	1637-9
Previous	1596-97	1625-26
High/low		1646/1634
AM Official	1613-14	1640-40.5
Kerb close		1639-40
Open int.	255,416	
Total daily turnover	57,463	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1480-85	1488-90
Previous	1475-80	1482-87
High/low		1495/1490
AM Official	1480-85	1492-94
Kerb close		1490-95
Open int.	6,436	
Total daily turnover	944	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	577.50-8.5	590.5-1.0
Previous	580-81	592.5-93
High/low		599/589
AM Official	581-2	594-5
Kerb close		594-5
Open int.	32,031	
Total daily turnover	4,097	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6275-85	6355-60
Previous	6195-205	6280-85
High/low		6430/6320
AM Official	6345-50	6420-25
Kerb close		6340-50
Open int.	61,925	
Total daily turnover	24,255	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5660-70	5635-40
Previous	5650-55	5630-40
High/low		5655/5630
AM Official	5655-60	5635-40
Kerb close		5650-55
Open int.	15,248	
Total daily turnover	3,237	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1178-9	1202-3
Previous	1168.5-69.5	1192.5-93.0
High/low		1208/1195
AM Official	1177-77.5	1201.5-02
Kerb close		1205-6
Open int.	83,301	
Total daily turnover	15,236	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1971.5-2.5	1990.5-1.0
Previous	1978.5-9.5	1994-95
High/low		2005/1985
AM Official	1983-84	2000-01
Kerb close		1986-7
Open int.	159,250	
Total daily turnover	42,028	

■ LME AM Official £/$ rate: 1.7063
LME Closing £/$ rate: 1.7035

Spot: 1.7045 3 mths: 1.6973 6 mths: 1.6894 9 mths: 1.6823

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	89.10	-1.20	90.80	89.00	213	3,180
Dec	89.40	-1.25	91.25	89.00	10,412	29,821
Jan	89.75	-1.15	91.35	89.80	231	1,518
Feb	89.80	-1.10	91.40	90.00	79	1,384
Mar	89.90	-1.00	91.50	89.60	1,754	10,556
Apr	89.80	-1.10	91.40	90.60	17	1,283
Total					12,991	65,590

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	311.40-311.90		
Opening	310.00-310.30		
Morning fix	310.80	182.010	431.734
Afternoon fix	312.65	183.566	435.621
Day's High	314.20-314.60		
Day's Low	309.85-310.25		
Previous close	310.70-311.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.26 6 months 3.51
2 months ....3.26 12 months 3.63
3 months 3.26

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.50	493.75
3 months	292.55	496.80
6 months	295.55	499.70
1 year	301.70	505.75

Gold Coins	$ price	£ equiv.
Krugerrand	313-316	183-185
Maple Leaf	-	-
New Sovereign	73-76	43-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	309.8	-0.5	312.5	312.5	-	-
Dec	310.6	-0.5	315.7	310.5	19,444	107.9k
Feb	311.9	-0.5	316.7	312.0	5,973	34,793
Apr	313.8	-0.4	318.6	313.6	669	7,654
Jun	316.0	-0.4	320.5	316.7	299	11,364
Aug	318.1	-0.4	320.5	320.5	115	4,608
Total					27,014	218,693

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	389.3	+1.9	391.0	388.0	1,711	10,167
Apr	385.8	+2.9	388.0	385.0	16	1,419
Jul	382.8	+2.8	-	-	2	86
Total					1,729	11,672

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	208.35	+2.70	210.00	207.50	90	2,736
Mar	204.35	+2.70	205.00	203.00	11	1,335
Jun	200.85	+2.70	-	-	2	111
Sep	197.85	+2.70	-	-	2	2
Total					161	4,184

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	489.1	+4.2	-	-	38	19
Dec	490.5	+4.2	502.0	484.5	5,611	50,083
Jan	492.3	+4.2	490.5	490.5	7	27
Mar	496.0	+4.1	507.0	491.0	1,547	28,295
May	498.2	+3.7	509.0	499.5	14	2,781
Jul	500.5	+3.4	511.0	499.0	21	3,793
Total					7,349	84,374

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	20.40	-	20.63	20.36	43,953	74,737
Jan	20.61	+0.01	20.81	20.58	32,401	72,104
Feb	20.65	+0.03	20.83	20.63	5,113	36,726
Mar	20.61	+0.04	20.75	20.57	2,247	22,414
Apr	20.50	+0.01	20.66	20.60	600	16,400
May	20.55	+0.15	20.47	20.47	608	19,272
Total					88,650	460,345

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	19.51	+0.06	19.65	19.50	16,951	43,340
Jan	19.56	+0.04	19.69	19.55	15,198	60,918
Feb	19.49	+0.03	19.61	19.47	6,388	30,341
Mar	19.37	+0.03	19.49	19.37	735	6,519
Apr	19.23	+0.02	19.34	19.26	944	5,651
May	19.16	-	19.18	19.16	127	5,175
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	57.70	+0.42	58.15	57.30	15,530	53,289
Jan	58.50	+0.38	58.95	58.05	5,745	29,846
Feb	58.65	+0.33	59.05	58.60	1,097	13,867
Mar	58.00	+0.33	58.25	57.80	610	9,420
Apr	56.50	+0.38	56.65	56.50	46	5,595
May	55.10	+0.33	55.25	55.10	181	3,852
Total					23,402	128,492

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	179.00	-0.50	179.50	178.50	13,901	20,322
Dec	180.00	-	180.50	179.50	11,022	31,308
Jan	180.50	-	181.00	180.25	1,488	14,249
Feb	180.00	-0.25	180.00	179.75	667	10,037
Mar	177.75	-0.25	177.75	177.50	749	8,261
Apr	175.00	-0.50	175.25	175.00	570	3,447
Total					30,733	103,489

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	15.550	+0.010	15.650	15.550	70	1,295
Jan	19.990	+0.240	20.100	19.990	15	2,610
Total					400	11,210

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	3.455	+0.022	3.490	3.365	31,638	51,789
Jan	3.430	+0.009	3.460	3.360	13,331	35,870
Feb	3.050	-0.003	3.080	3.015	5,294	24,666
Mar	2.690	-0.005	2.695	2.650	2,242	17,284
Apr	2.380	-	2.370	2.335	1,051	11,122
May	2.270	-	2.270	2.240	587	8,681
Total					58,879	225,816

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	58.85	-0.33	59.55	58.65	9,780	32,847
Jan	59.00	-0.35	59.70	58.90	4,308	19,392
Feb	59.60	-	59.80	59.55	445	10,783
Mar	59.90	-0.22	60.30	59.90	167	6,156
Apr	62.50	-0.04	62.50	62.50	121	6,583
May	62.55	-	-	62.55	198	5,560
Total					15,249	93,339

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	79.90	-1.10	-	-	-	173
Jan	81.90	-1.30	82.25	81.75	136	3,044
Mar	83.90	-1.30	84.75	83.75	193	3,005
May	85.90	-1.30	86.25	85.80	195	2,218
Jul	87.90	-1.30	-	-	-	201
Total					541	8,759

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	349.50	-0.50	353.50	349.00	22,093	47,038
Mar	365.25	-0.25	368.50	365.00	8,940	30,245
May	373.25	+0.75	376.00	372.50	872	6,319
Jul	377.50	+0.50	379.50	376.00	1,881	16,754
Sep	382.00	-	388.00	388.00	113	172
Dec	388.00	-1.00	394.50	391.00	221	3,091
Total					34,045	103,653

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	276.50	+0.75	279.50	275.25	61,278	164,573
Mar	286.50	+0.75	289.25	285.25	23,792	110,027
May	292.75	+0.75	295.00	291.25	6,038	32,141
Jul	296.50	+0.75	299.00	295.25	9,068	44,500
Sep	289.75	+0.50	290.50	288.75	352	4,121
Dec	289.25	-	290.00	288.50	2,595	28,613
Total					103,188	385,492

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	75.25	-0.25	-	-	-	28
Jan	77.40	-0.60	77.40	77.40	15	1,281
Mar	79.75	-0.75	79.85	79.75	41	536
May	81.50	-0.75	-	-	-	23
Sep	81.50	+0.50	-	-	-	6
Total					56	1,874

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	737.75	+16.00	748.00	720.50	6,308	9,584
Jan	737.75	+16.25	748.00	721.50	45,936	71,942
Mar	739.75	+15.75	749.50	724.50	6,226	25,280
May	743.75	+16.00	752.00	727.75	3,206	19,178
Jul	745.00	+13.50	753.00	731.00	2,175	17,781
Aug	738.00	+12.00	743.50	730.00	184	901
Total					64,715	161,581

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	26.09	+0.46	26.15	25.56	8,211	46,989
Jan	26.26	+0.43	26.32	25.75	6,524	31,370
Mar	26.47	+0.41	26.52	25.95	2,745	18,245
May	26.52	+0.33	26.60	26.05	690	9,729
Jul	26.56	+0.26	26.60	26.12	183	8,692
Aug	26.35	+0.25	26.43	25.98	104	920
Total					18,533	117,376

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	241.9	+6.9	245.0	233.5	17,379	41,318
Jan	235.3	+6.5	238.8	226.8	9,474	28,267
Mar	229.9	+5.5	234.4	224.8	6,009	22,556
May	226.7	+5.2	229.5	221.5	2,261	17,893
Jul	226.7	+5.2	229.5	222.2	1,244	12,058
Aug	226.0	+5.5	228.5	223.5	194	2,894
Total					36,940	129,969

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	105.0	-	-	-	-	-
Apr	138.5	-3.0	143.0	136.0	140	1,148
May	148.5	-3.0	-	-	-	22
Jun	159.5	-3.0	-	-	-	-
Nov	95.0	-	-	-	-	3
Total					148	1,170

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1225	-17	1235	1222	39	748
Dec	1255	-10	1258	1250	19	217
Jan	1290	-5	1290	1285	29	623
Apr	1318	-7	1315	1315	5	352
Jul	1190	-5	-	-	-	95
Total					92	2,075

	Close	Prev
BFI	1277	1283

PULP AND PAPER

■ PULPEX OMLX ($8; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	542.75	-5.75	542.75	541.00	15	284
Mar	561.75	-8.75	562.00	561.75	15	375
Total					35	813

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, $ per lb in warehouse, unless otherwise stated (last week's *in brackets, where changed).* **Antimony:** 99.65%, $ per tonne, 1,740-1,840 (1,780-1,880). **Bismuth:** min. 99.99%, tonne lots 3.25-3.40. **Cadmium:** min. 99.95%, cents a pound, 35.00-40.00. **Cobalt:** MB free market, min. 99.8%, 24.25-25.25 (23.70-24.70); min. 99.3%, 19.00-19.40 (18.60-19.00). **Mercury:** min. 99.99%, $ per 76 lb flask, 140-150. **Molybdenum:** drummed molybdic oxide, 3.50-3.70. **Selenium:** min 99.5%, 2.00-3.00. **Vanadium:** min. 98%, CIF, 4.18-4.25. **Uranium:** Nuexco unrestricted exchange value, 9.65 (9.50).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1037	-5	1041	1035	505	42,909
Mar	1063	-5	1069	1058	1,879	56,200
May	1082	-4	1087	1079	134	23,826
Jul	1100	-3	1105	1095	453	10,238
Sep	1117	-3	1120	1113	135	19,216
Dec	1131	-4	1135	1129	153	21,687
Total					4,089	199,444

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1621	+10	1634	1612	5,334	14,781
Mar	1666	+7	1677	1662	5,479	43,895
May	1692	+6	1703	1689	785	15,667
Jul	1712	+6	1722	1713	328	4,020
Sep	1732	+2	1737	1736	150	5,405
Dec	1751	+2	1759	1749	23	8,914
Total					12,076	104,016

■ COCOA (ICCO) (SDR's/tonne)

Nov 10	Price	Prev. day
Daily	1243.79	1235.51

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1610	+11	1610	1586	127	1,487
Jan	1620	+11	1625	1585	4,375	20,690
Mar	1617	+13	1620	1580	828	11,065
May	1614	+13	1615	1593	130	3,216
Jul	1617	+13	1624	1600	104	869
Sep	1623	+13	-	-	-	389
Total					5,564	37,766

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	156.25	-0.80	158.75	151.50	6,384	7,573
Mar	146.45	+1.60	147.00	142.00	3,338	9,064
May	142.65	+1.50	143.00	138.50	228	3,033
Jul	138.90	+1.65	139.00	136.50	150	2,081
Sep	135.65	+1.90	135.00	133.50	63	1,076
Dec	132.65	+1.90	131.20	131.00	54	872
Total					10,267	23,676

■ COFFEE (ICO) (US cents/pound)

Nov 10		Prev. day
Comp. daily	117.30	114.39
15 day average	114.58	114.49

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	305.8	+0.7	307.7	304.4	2,176	6,210
Mar	313.8	+0.4	315.6	312.1	1,588	18,537
May	318.5	+0.3	319.9	317.5	135	4,060
Aug	320.3	+0.4	321.4	320.5	120	3,682
Oct	315.5	-0.8	316.9	316.0	111	3,268
Dec	314.5	+1.0	-	-	-	140
Total					4,130	35,930

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	12.35	+0.17	12.36	12.19	10,889	120.3k
May	12.32	+0.14	12.32	12.18	3,452	29,958
Jul	12.03	+0.11	12.05	11.91	1,420	23,006
Oct	11.83	+0.07	11.86	11.76	902	22,623
Mar	11.65	+0.06	11.66	11.59	69	5,908
May	11.57	+0.02	11.61	11.57	10	842
Total					16,812	202,851

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	70.33	+0.40	70.38	70.12	20,508	39,602
Mar	71.89	+0.32	71.95	71.67	11,336	20,503
May	73.00	+0.44	73.05	72.70	2,436	11,503
Jul	73.75	+0.30	74.00	73.70	2,173	10,896
Oct	75.03	+0.40	-	-	8	835
Dec	75.18	+0.09	75.20	75.00	451	11,183
Total					36,917	94,856

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	81.25	+3.35	81.40	77.90	4,668	20,185
Mar	84.20	+3.30	84.30	80.80	1,527	11,927
May	87.00	+3.00	87.00	84.30	144	3,225
Jul	90.20	+3.20	90.20	87.25	36	1,246
Sep	92.60	+2.85	92.50	91.25	28	773
Nov	95.00	+2.75	93.50	93.00	14	680
Total					6,502	38,449

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 11	Nov 10	month ago	year ago
1811.7	1816.6	1885.6	1857.8

■ CRB Futures (Base: 1967 = 100)

Nov 10	Nov 7	month ago	year ago
241.10	241.35	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 10	Nov 7	month ago	year ago
204.34	203.53	207.33	206.07

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,900	to	726,925
Aluminium alloy	-460	to	46,180
Copper	-1,075	to	344,775
Lead	-100	to	116,350
Nickel	-186	to	66,432
Zinc	+6,100	to	478,175
Tin	-100	to	9,375

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	66.575	-0.100	67.000	66.450	5,216	34,329
Feb	68.700	-0.400	69.000	68.625	3,988	31,101
Apr	72.250	-0.225	72.475	72.150	837	15,876
Jun	70.300	-0.275	70.450	70.175	458	11,240
Aug	70.450	-0.050	70.650	70.400	186	3,851
Oct	72.100	-0.050	72.300	72.100	51	1,200
Total					10,539	97,981

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	61.100	-0.050	61.275	60.825	2,843	17,551
Feb	61.500	-0.300	61.800	61.400	1,997	11,629
Apr	58.350	-0.300	58.650	58.175	738	5,019
Jun	65.450	-0.075	65.550	65.100	161	3,450
Jul	64.100	-0.100	64.500	63.925	44	1,255
Aug	62.275	-0.075	62.525	62.150	42	201
Total					5,880	39,588

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	61.700	+0.650	61.950	60.775	1,002	6,068
Mar	60.775	+0.450	61.500	60.100	77	942
May	61.400	+0.475	61.900	61.000	50	380
Jul	62.525	+0.150	62.525	62.050	16	369
Aug	58.250	+0.250	58.250	-	1	19
Total					1,133	7,820

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1500	125	158	3	12
1600	42	85	16	40
1700	6	39	81	91
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1900	96	133	60	49
2000	39	80	56	94
2100	11	44	127	156
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
n/a				
n/a				
n/a				
■ COCOA LIFFE	Dec	Mar	Dec	Mar
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1950	-	-	5	39
2000	9	55	7	59
2050	-	37	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.78-8.89w	+0.09
Brent Blend (dated)	$19.15-9.25	+0.155
Brent Blend (Dec)	$19.64-9.66	+0.085
W.T.I.	$20.52-0.54w	+0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$196-201	-2.50
Gas Oil	$182-183	
Heavy Fuel Oil	$103-105	
Naphtha	$198-200	
Jet fuel	$200-202	-3
Diesel	$192-194	

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	15.50-15.60	+0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

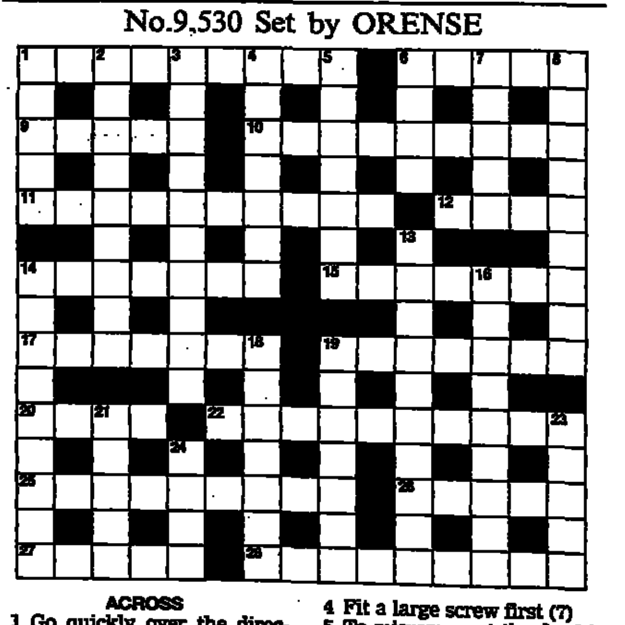
Gold (per troy oz)‡	$311.65	+0.70
Silver (per troy oz)‡	492.00c	+3.80
Platinum (per troy oz.)	$391.50	-1.00
Palladium (per troy oz.)	$209.00	+3.00
Copper	98.0c	+2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	18.16r	+0.34
Tin (New York)	268.5	
Cattle (live weight)	94.78p	-1.51*
Sheep (live weight)	104.13p	+6.26*
Pigs (live weight)†	72.10p	-4.45*
Lon. day sugar (raw)	$287.90	-1.60
Lon. day sugar (wte)	$303.00	-1.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)¶	54.50p	
Rubber (Jan)¶	54.50p	
Rubber (KL RSS No1)	285.0z	-2.0
Coconut Oil (Phil)§	635.0z	
Palm Oil (Malay.)§	527.5w	-2.5
Copra (Phil)§	$415.0	
Soyabeans (US)	167.0z	-5.0
Cotton Outlook'A' index	77.40c	
Wooltops (64s Super)	405p	-3

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Nov/Dec. w Dec. ¶London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 4,945 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,530 Set by ORENSE



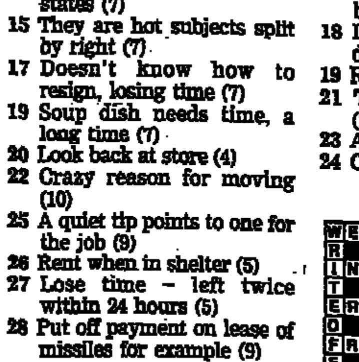
ACROSS

1 Go quickly over the directors' target (9)
6 Ripe fruit picked first (5)
9 Drink firms source of alcohol (5)
10 Means to confuse us with English scorer (9)
11 Poly opting for letter production in old office (6,4)
12 A clear chance to reveal cunning (4)
14 Extinction of peaceful states (7)
15 They are hot subjects split by right (7)
17 Doesn't know how to resign, losing time (7)
19 Soup dish needs time, a long time (7)
20 Look back at store (4)
22 Crazy reason for moving (10)
25 A quiet tip points to one for the job (9)
26 Rent when in shelter (5)
27 Lose time – left twice within 24 hours (5)
28 Put off payment on lease of missiles for example (9)

DOWN

1 Passage held a mediaeval coin (5)
2 Welcome note with price change (9)
3 Inspiration for support in violent argument (10)
4 Fit a large screw first (7)
5 To misrepresent the dead is wrong (7)
6 With sources of public lending under scrutiny (4)
7 Sore about clue on right (5)
8 Situation overheats quickly (9)
13 Head of dept against angler (10)
14 Alive on the shore but danger here (9)
16 Still living at home to begin with (9)
18 Displayed mad poster on day (7)
19 Record dissent for trial (7)
21 Throw out old skin (mostly) (5)
23 Always time to turn out (5)
24 Can you start small? (4)

Solution 9,529



هكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (u)

Lazard Investment Funds Ltd - Contd.

Morgan Grenfell Investment Funds Ltd (u)

Scottish Value Management (Ireland) Ltd (u)

Singer & Friedlander Inv Funds Ltd (u)

IRELAND (REGULATED)(**)

Asset Korea Fund

Asset Universal Ltd

Atlantic Korean Smaller Companies Fund

BT&T Asset Management (Ireland) Ltd

BZW Secured Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

CoreStates Fund Management (Ireland) Ltd

Daiwa Europe Fund Mgrs Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Int Mgt Srv

Eagle Star European Life Assurance Co Ltd

Investec Asset Management (Ireland) Ltd

INVESTORS Fund Services (Ireland) Ltd

Kim Europe Worldwide Fund

Kims Far East Fund Plc

Kims Korea Fund Plc

Korea Active

Yield Korea Fund

Yield Taiwan Fund

ISLE OF MAN (FSA RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1986)F

Ashburton Global Funds Ltd (1200)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

TSB Fund Managers - Contd.

JERSEY (REGULATED)(**)

ABSA Offshore Select Fund Limited

AIB Govett Management (Jersey) Limited

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

BAII Asset Management Ltd

Bank Von Ernst & Cie AG

Frontrunner I (u)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

صكنا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Professional Investment Consultants

Royal Life International

BEA Associates

DWS Deutsche Ges. F. Wertpapiersp

Global Asset Management - Contd.

INVESCO Asset Management

INVESCO France

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Magnum Funds

Orion Capital Advisors Ltd

Oryx Fund Ltd

Oryx (India) Fund Ltd

Oryx International Growth Fund Ltd

Selective Assets Series Fund Limited

Stalzzoni Investment Mngmt (Bermuda) Ltd

Sietra Fund Ltd

Group One International Tst

KD Offshore Fund, C.V.

Kenmar Management Limited

OTHER OFFSHORE FUNDS

Gryphon Fund Management Ltd

Guardian Global Asset Management Ltd

HSBC Asset Management (Bahamas) Ltd

Hambro-Spinner Renaissance Fund Ltd

Key Asset Management Inc

KI Asia Pacific Fund Ltd

King Street Capital Ltd

Kingate Global Fund Ltd

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

صكنا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£23½	–	*£27⅞	£20¼	1,800	2.9	Φ
Barlow	♣†	554	–⅓	587	551	1,280	2.3	13.4
Gold Flds Prop R		122	–4	197	122	12.5	8.5	10.9
SA Brews		£15⅞	+⅛	£23½	£13¼	4,488	2.3	Φ
Standard Bank		£25⅞	–⅞	536	£21	3,134	2.0	–
Tiger Oats	†	840	–50	1109	780	1,289	2.0	17.6
Tongaat-Hulett		722½	–7¼	780	685¼	701.8	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2585. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-16 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Inflation and US rate worries unsettle equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Domestic economic news about inflation and retail sales halted a promising start by London's stock market yesterday. But by the close of trading, the damage remained light and dealers pointed to the relative stability underneath the market.

That reflected a much quieter performance by far eastern markets, where Tokyo edged higher despite a big fall in shares in Yamaichi, one of the big four Japanese stockbrokers. Hong Kong, recently the cause of extreme turbulence in global markets, also managed to record a minor gain on the day.

Wall Street gave little cause for concern, slipping back only 28 points on Monday and opening marginally higher yesterday. The US bond market was closed for Veterans Day.

The FTSE 100 index finished the session a modest 13.1 easier at 4,793.7 while the lesser indices also registered small falls. The FTSE 250 dipped 5.2 to 4,635.6 and the FTSE SmallCap closed 0.9 off at 2,309.7.

The day began well enough, with Footsie posting an early 17-point rise amid relief over far eastern markets. But the advance was stopped in its tracks by the data from the British Retail Consortium on high street sales, and official inflation figures.

Retail sales rose by 5 per cent last month on a like-for-like basis, a rise seen as worryingly strong by some economists.

Worse was to come with the inflation data, which showed headline inflation up 3.7 per cent over the past 12 months and the core figure rising 2.8 per cent over the past year.

Footsie immediately came under pressure, the 17-point gain earlier in the day quickly transformed into a loss of 51.8 in just over an hour. Later, Footsie was close to level on the day but it slipped back just before the close.

Some of the more cautious economists said the economy is growing too fast and needed to be reined in further, despite last week's 25 basis points rise in UK interest rates.

It was also pointed out that markets have still to cope with today's meeting of the US Federal Reserve's open market committee. Some expect the FOMC to recommend a rise in US interest rates, a move which is bound to have a negative impact on Wall Street and, therefore, across other markets.

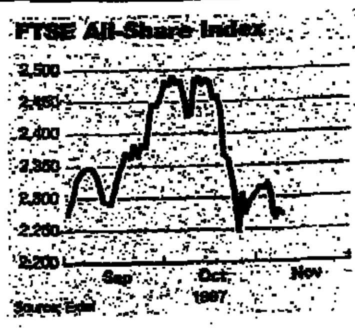
"Wall Street has had to put up with plenty of problems from overseas in the recent past – now might be the moment of truth if the Fed hoists US rates," said one observer.

Traders in London remained cautious about short-term prospects, taking the view that the market felt trapped in the 4,700 to 4,800 range. "We'd be much happier and there would be much keener interest from the institutions if the market was trading off the 4,500 level," said a senior dealer at one big European securities house.

The market was also braced for today's Bank of England's quarterly inflation report.

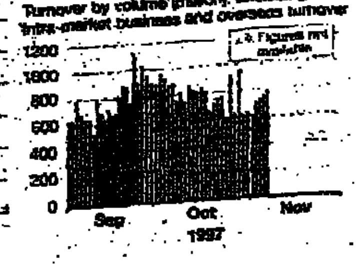
Turnover in equities at 6pm was 765m shares, well ahead of Monday's figure.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4793.7	-13.1
FTSE 250	4635.6	-5.2
FTSE 350	2321.9	-5.6
FTSE All-Share	2275.74	-5.17
FTSE All-Share yield	3.41	3.40
FT 30	3137.1	+2.0
FTSE Non-Fins p/e	19.34	19.41
FTSE 100 Fut Dec	4822.0	+14.0
10 yr Gilt yield	6.75	6.65
Long gilt/equity yld ratio	1.98	1.94

Best performing sectors

1 Electricity ......+1.4
2 Alcoholic Bevs ......+1.3
3 Retailers: Food ......+1.3
4 Extractive Inds ......+1.0
5 Life Assurance ......+0.9

Worst performing sectors

1 Insurance ......-2.3
2 Household Goods ......-1.8
3 Pharmaceuticals ......-1.2
4 Engineering ......-0.9
5 Distributors ......-0.8

ABN hits mortgage lenders

By Peter John, Anthony Reuben, Martin Brice and Joel Kibazo

The housing market may be fine at the moment but there is a certain amount of subsidence among the mortgage lenders.

In a climate of rising interest rates and increasing competition, ABN Amro Hoare Govett has weighed in with swingeing downgrades of the demutualised building societies. Hoare has put together a weighty piece of analysis arguing that the premium rating enjoyed by the mortgage banks compared with their banking counterparts is undeserved.

The broker has turned seller on **Halifax, Abbey National, Woolwich** and **Northern Rock**. It has removed its "buy" recommendation on Alliance & Leicester, which trades at a discount to its rivals.

It believes the newly floated companies are being hit from all angles: from below – as the smaller existing mutuals grab more market share; from the side, as supermarkets Sainsbury and Tesco enter the mortgage business; and from within; analyst Robin Down says Halifax has "a short £4bn of surplus capital" which, he says, it may well spend on increasing its share of the market. "If it does so, it could well prompt a price war," says Mr Down.

The broker prefers the clearers and has reiterated its "buy" stance on **NatWest** and **Bank of Scotland** while raising its recommendation on **Royal Bank of Scotland** from "sell" to "hold".

As Hoare prepared to embark on a marketing tour of the leading fund managers, Halifax dipped 2 to 688p, Abbey – which yesterday raised its mortgage rate by 25 basis points – added 2 at 978p, Woolwich lifted 2 to 291p and Northern Rock was up 2 at 482p. Alliance fell 4 to 680p while NatWest improved 14 to 866p. Royal Bank of Scotland rose 7 to 665p but Bank of Scotland dipped 7 to 483p.

Mixed fortunes

Schroders, the tightly-held merchant bank, continued its rollercoaster journey as the lack of depth in the new electronic order book and the lack of liquidity prompted a fall in the ordinaries but a sharp rise in the non-voting shares.

The bank is heavily exposed to the Far East, which has been the catalyst for global market turmoil over the past month. In the 1996 report and accounts, the region represented 15 per cent of assets and profits but 22 per cent of the workforce.

The ordinaries tumbled 20 per cent in the last two weeks of October, with a further push downwards from Merrill Lynch. Yesterday, they fell 28 to £16.72. The non-voting stock bounced 75 to £15.50 although the rise was seen as a function of the tight market rather than a fundamental recovery.

Acorn Group was the third most heavily traded stock with volume of 26m, as 13.25m shares were placed in the market at 130p. David Lee, the managing director, said the shares were sold by Lehman Brothers, which bought the stock from Olivetti during the summer as part of the Italian group's long-term plan to dispose of its holding. Olivetti still owns 16.5 per cent. The placing was carried out by Acorn's house broker, ABN Amro Hoare Govett.

It is understood 8m shares were taken by five investors: Abbey Life, Mercury, Henderson, Schroders and Montreal Trust. The rest of the stake was placed with 10-15 other institutions.

The shares, under pressure for several sessions in anticipation of the placing, rose 4 to 145p. They have fallen sharply from a peak of 240p in April.

International drinks and food retailing group **Allied Domecq** was the best performer in the FTSE 100, climbing 27 or 5.6 per cent to 508p after full-year figures.

The selection of **FirstBus** as the preferred bidder for a majority stake in Bristol Airport saw the shares gain 6½ to 211¼p.

Transport stocks have had a good run recently as analysts have taken a positive view on their prospects under a Labour government keen on promoting public transport, particularly since the regulatory impact seems likely to concentrate on quality of service rather than level of profits.

The latest company to benefit from investor interest in forthcoming information technology staff shortages was **Staffware**, the Aim-traded computer software design company, which rose almost 9 per cent or 25½ to a record 319p, one of the largest rises outside the FTSE 350.

CRT, the IT training and recruitment group that last week announced an 86 per cent rise in pre-tax profits, ran into profit-taking and shed 3 to 345p. In August, the shares stood at 221p.

Results from **Whitehead Mann**, the executive search agency, saw the shares rise 13 to 171½p after it said demand for IT staff had doubled in the past year. In August, the shares stood at 129p.

The building sector was affected by a research note from the team at Dresdner Kleinwort Benson, which recommended investors reduce their holdings due to a slowdown in the UK housing market in the past two months. The broker was said to have downgraded its stance on **Wimpey**, down 1½ at 115p, **Barratt Developments**, down 2½ to 256p and **Redrow**, off 6 to 156p in the biggest fall in the FTSE 250.

The strength of the pound led to suffering among investors in companies exposed to overseas earnings, particularly engineers. Foremost among the losers was **Siebe**, down 44 to £11. **Blue Circle**, with 66 per cent of its sales outside the UK, fell 8 to 352p.

Rentokil Initial, which recently had a good run after a series of presentations to US investors, and has less than half its sales in the UK, shed 7 to 237p.

The highest reported turnover in the market, 99m, was in British Steel, and due to the rebooking by the company's broker, Cazenove, of the July 93.2m share buy-back at 155p, following what British Steel said was "an administrative error". The rebooking involved the same number of shares at the same price, said the company. The shares shed 2½ to 147½p.

Industrial Control Services Group shares fell 8 to 48p after the company issued a profit warning at its annual meeting.

The control and safety systems manufacturer said the problems it had reported in the first quarter had continued in the second, so it expects to report substantial losses in the first half.

British Telecommunications remained a busy trade and saw business of 50m. Dealers indicated around 30 per cent of order book turnover was dealt through Tradepoint's dealing system. The shares fell 8½ to 456½p.

FT 30 INDEX

	Nov 11	Nov 10	Nov 7	Nov 6	Nov 5	Yr ago	*High	*Low
FT 30	3137.1	3135.1	3106.3	3162.5	3189.6	2775.3	3490.3	2668.8
Ord. div. yield	3.62	3.62	3.64	3.57	3.53	4.10	4.22	3.29
P/E ratio net	20.31	20.33	20.20	20.58	20.82	16.81	22.33	15.80
P/E ratio nil	20.03	20.06	19.92	20.30	20.53	16.65	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3135.4	3118.0	3112.7	3126.9	3130.2	3139.0	3132.7	3125.7	3134.3	3146.6	3106.8

	Nov 11	Nov 10	Nov 7	Nov 6	Nov 5	Yr ago
SEAQ bargains	40,598	48,050	53,795	42,575	46,780	34,544
Equity turnover (£m)†	-	2751.0	2816.6	2593.0	2585.7	1019.8
Equity bargains†	-	39,092	41,175	36,367	35,828	22,597
Shares traded (ml)†	-	800.9	792	757.7	728.3	371.6

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	429	Total Highs	38	Total contracts	31,884
Total Falls	956	Total Lows	111	Calls	14,475
Same	1,667			Puts	17,409

Nov 11 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4830.0	4822.0	+14.0	4842.0	4777.0	6588	38167
Mar	4873.0	4865.0	+14.5	4873.0	4873.0	200	7370

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4845.0	-5.0			0	9244

■ FTSE 100 INDEX OPTION (LIFFE) (*4791) £10 per full index point

	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P
Nov	244	44½	288	56	172	70½	138½	87½	109½	110	82	132	69½	162½	41	195½
Dec	356	132	317½	145½	285	163	255½	182½	226	205½	196	227	169	253	149	282
Jan	401½	171½	366½	187	337½	207	309½	227½	279	247½	248½	269	217½	291	196	320
Feb	471	213	438	230½	407	248	374½	268	344	285	316½	306	286½	327	262½	355
Jun†	558½	263			449½	304			441½	345½			383	390		

Calls 1,145 Puts 1,795

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P
Nov	220½	49	183½	61½	149	77½	117½	95½	88½	118½	67½	145	48½	178	32½	210½
Dec	339½	135	288½	152½	287	170½	237	190½	210	213	184	234	157	259	134½	286½
Jan	390½	179½	357½	195½	324½	212	291	227½	261	247	232	267½	205½	290	179½	313½
Mar	469	235½			404	268			343	304			268½	345		
Jun†	554	273½			488	303½			428	339			375	381½		

Calls 7,341 Puts 8,604 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	102¼	100½	Asset Mn Zero Dv	101¼	+¼	-	-	-	-
	F.P.	1,309	30½	29½	BG "B"	29½		-	-	-	-
	F.P.	0.74	17½	16½	†Buckland Inv	17½		-	-	-	-
	F.P.	0.08	12	8	†Buckland Inv Wrt	10		-	-	-	-
§150	F.P.	8.47	153½	153½	†Cresco Intl	153½		-	-	-	-
§128	F.P.	110.5	171½	163½	Holmes Place	163½	-1½	L3.0	2.0	2.3	20.7
155	F.P.	16.5	178½	162½	Leichways	165		-	-	-	-
§110	F.P.	6.25	94½	82½	Leicester City	82½	-5	-	-	-	-
§98.5	F.P.	27.1	102½	95½	†Marlborough Intl	102½		b-	-	-	17.4
*	F.P.	88.5	99½	70½	†Metalrussia	65½	-1	-	-	-	-
§115	F.P.	18.3	170½	140	†NSB Retail Sys	167½		L1.15	1.8	0.8	65.0
250	F.P.	493.0	252½	225	Newsquest	241½xd		W5.4	3.0	2.8	14.9
70	F.P.	27.0	63½	53	Nott'ham Forest	59½		-	-	-	-
	F.P.	534.4	2180	2095	Nycomed Am N/V	2130	+30	18.0	2.8	0.8	47.9
§245	F.P.	150.1	287½	245	SHL Group	281½		LW4.5	-	2.0	-
§147	F.P.	164.7	177½	157½	Ultraframe	177½		R3.5	2.1	2.5	23.8
§78	F.P.	5.89	97½	85½	†Weather Action	87½		-	-	-	-
§110	F.P.	54.8	117½	107½	Xsar	107½	-1	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 10	% chg on day	Nov 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1152.37	-0.8	1161.16	1878.22	2.52	-	1985.11	1152.37
■ Regional Indices								
Africa (15)	1166.19	-1.0	1198.53	2402.00	6.24	20.80	2502.51	1186.19
Australasia (6)	1173.54	-1.0	1185.98	2061.02	3.29	14.39	2217.60	1135.38
North America (12)	1152.24	-0.6	1159.45	1708.00	1.17	42.83	1838.77	1152.24

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	842	489	+3
AMVESCAP	1000	388	+¼
ASDA Group†	6,300	160½	+1½
Abbey National†	3,000	978	+2
Arjours	614	1150	-7½
Alliance & Leicester†	369	680	-4
Allied Domecq†	3,800	508	+27
Anglian Water	1,300	[illegible]	
Argos	917	660½	+8
Arjo Wiggins	1,000	175	+1½
Assoc. Brit. Foods†	359	512	+10
Assoc. Brit. Ports	662	280	+1

FTSE Actuaries Share Indices

The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

■ FTSE Actuaries Industry Sectors

■ Hourly movements

FTSE INTERNATIONAL

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY NOVEMBER 10 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY NOVEMBER 7 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	[illegible]	1.1	180.72	161.30	182.98	198.29	0.5	3.91	203.37	177.92	159.23	180.32	195.26	243.87	190.41	212.51
Austria (21)	[illegible]	-0.1	171.84	153.36	173.96	173.93	0.2	1.91	195.77	171.27	153.27	173.56	173.53	213.59	175.14	182.53
Belgium (27)	[illegible]	0.3	214.49	191.43	217.16	212.56	0.6	3.24	243.33	212.88	190.51	215.75	211.19	261.11	221.31	223.53
Brazil (30)	[illegible]	1.7	186.26	166.23	188.58	431.02	1.4	1.71	208.32	182.26	163.10	184.71	424.99	322.44	178.94	180.25
Canada (123)	[illegible]	-0.1	189.09	168.76	191.46	219.16	-0.5	1.79	215.41	188.46	168.66	191.00	220.22	233.66	178.27	189.80
Denmark (32)	[illegible]	0.6	363.15	324.11	367.68	388.12	1.0	1.40	410.72	359.33	321.57	364.17	382.63	429.78	333.94	334.85
Finland (26)	[illegible]	1.5	278.83	248.86	282.31	343.31	1.9	1.81	312.46	273.36	244.63	277.04	336.93	349.43	221.77	221.77
France (84)	[illegible]	-0.4	197.30	176.09	199.77	201.91	0.0	2.84	225.37	197.17	176.45	199.83	201.91	248.23	203.73	208.52
Germany (58)	[illegible]	0.6	189.52	169.14	191.88	191.88	1.2	1.51	213.82	187.07	167.41	189.59	189.59	243.87	183.03	185.58
Hong Kong, China	[illegible]	-1.4	302.18	269.70	305.95	341.20	-1.5	4.67	348.87	305.22	273.14	309.33	348.27	580.03	314.78	475.09
Indonesia (27)	[illegible]	-1.6	110.03	98.20	111.41	254.22	-1.4	2.65	127.17	111.25	99.56	112.75	257.83	254.90	101.98	216.91
Ireland (17)	[illegible]	0.2	331.99	296.30	336.13	350.60	0.2	2.78	377.16	329.97	295.29	334.41	349.79	394.88	310.26	319.32
Italy (53)	[illegible]	-0.2	94.53	84.37	95.71	134.70	0.0	1.76	107.76	94.27	84.37	95.54	134.67	115.27	78.84	78.84
Japan (484)	[illegible]	-1.8	88.74	79.20	89.85	79.20	-1.8	1.01	102.79	89.93	80.48	91.14	80.48	143.38	100.97	142.99
Malaysia (107)	[illegible]	-3.5	212.13	189.32	214.77	308.38	-2.6	2.36	250.20	218.89	195.89	221.64	316.52	660.85	222.86	581.67
Mexico (27)	[illegible]	-1.2	1326.64	1184.01	1343.18	13640.38	-2.3	1.78	1527.72	1336.58	1196.10	1354.57	13955.59	1901.98	1147.96	1208.86
Netherlands (18)	[illegible]	0.9	354.70	316.56	359.12	355.04	1.2	2.35	399.78	349.78	313.00	354.47	350.93	440.67	313.38	313.38
New Zealand (14)	[illegible]	-2.9	75.73	67.58	76.67	73.09	-3.4	4.20	88.77	77.66	69.50	78.71	75.66	98.47	75.37	82.22
Norway (38)	[illegible]	-0.6	308.83	275.63	312.69	331.99	-0.2	1.84	353.56	309.32	276.82	313.49	332.84	374.84	272.12	272.12
Philippines (22)	[illegible]	-1.5	76.46	68.26	77.43	149.00	-2.8	1.42	88.37	77.32	69.19	78.36	153.31	214.07	78.40	196.23
Singapore (42)	[illegible]	-2.5	213.70	190.73	216.37	176.18	-2.3	1.79	249.30	218.10	195.18	221.04	180.39	449.01	215.21	393.84
South Africa (43)	[illegible]	1.6	252.94	225.74	256.09	303.48	1.5	2.81	282.74	247.36	221.37	250.70	298.89	370.12	259.47	323.41
Spain (33)	[illegible]	-0.9	217.57	194.18	220.28	271.07	-0.7	2.50	249.91	218.63	195.66	221.58	272.88	277.33	192.94	192.94
Sweden (49)	[illegible]	0.1	420.30	375.12	425.55	530.23	0.7	1.96	477.54	417.79	373.88	423.42	526.53	538.94	393.04	393.70
Switzerland (33)	[illegible]	0.4	275.87	246.21	279.31	270.96	0.4	1.23	312.59	273.49	244.74	277.16	269.66	329.59	231.69	245.32
Thailand (38)	[illegible]	-0.2	31.41	28.04	31.80	51.79	-2.1	5.43	35.82	31.34	28.04	31.76	52.90	129.94	29.09	123.54
United Kingdom	[illegible]	0.3	280.88	250.88	284.39	280.99	0.8	3.49	318.56	278.70	249.41	282.46	278.70	337.99	259.30	259.30
USA (644)	[illegible]	-0.7	329.97	294.49	334.06	375.44	-0.7	1.84	377.96	330.67	295.92	335.12	377.96	398.82	293.43	297.21
Americas (824)	[illegible]	-0.6	300.17	267.90	303.92	288.09	-0.7	1.65	343.68	300.66	269.08	304.73	289.98	365.75	268.24	272.08
Europe (707)	[illegible]	0.3	242.59	216.51	245.62	251.07	0.6	2.53	275.21	240.78	215.47	244.02	249.47	298.25	226.60	226.60
Nordic (147)	[illegible]	0.3	372.37	332.34	377.02	409.60	0.8	1.83	422.21	369.38	330.56	374.36	406.24	454.93	337.60	337.60
Pacific Basin	[illegible]	-1.6	98.67	88.06	99.90	88.90	-1.5	1.66	114.07	99.80	89.31	101.14	90.23	160.96	112.26	159.11
Euro-Pacific	[illegible]	-0.4	158.71	141.65	160.69	149.73	-0.1	2.22	181.30	158.62	141.95	160.76	149.93	209.12	173.65	187.11
North America	[illegible]	-0.6	321.20	286.67	325.21	365.05	-0.7	1.65	367.82	321.80	287.96	326.14	367.46	389.57	286.81	290.83
Europe Ex. UK	[illegible]	0.3	216.79	193.48	219.49	226.99	0.6	1.97	245.98	215.20	192.58	218.10	227.70	257.07	202.63	203.92
Pacific Ex. Japan	[illegible]	-1.0	187.05	166.94	189.38	202.17	-1.1	3.84	214.88	188.00	168.24	190.53	204.39	320.65	194.30	301.52
World Ex. US	[illegible]	-0.3	162.11	144.68	164.13	158.50	-0.1	2.19	185.07	161.92	144.90	164.10	156.71	212.89	176.94	189.17
World Ex. UK	[illegible]	-0.8	209.95	187.37	212.56	213.59	-0.5	1.73	240.33	210.25	188.16	213.09	214.75	262.69	211.16	219.58
World Ex. Japan	[illegible]	-0.3	279.91	249.82	283.40	307.93	-0.2	2.05	319.80	279.52	250.14	283.29	308.62	344.35	264.31	265.50
The World Index	[illegible]	-0.5	215.97	192.75	218.66	219.72	-0.4	1.92	246.96	216.07	193.37	218.99	220.60	268.47	218.61	223.02

 CONSTITUENT CHANGES 11/11/97: Name changes ... Ayala Corporation (Philippines) and Cowie Group to Arriva (UK). Market closed 10/11/97: Belgium and France

Emerging markets: IFC Investable Indices

هكذا من الأصل

NEW YORK STOCK EXCHANGE PRICES

4 pm close November 11

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	24¼	AAR x	0.48	1.3	29	352	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	33⅛	AMP x	1.04	2.4	33	2232	[illegible]	43½	[illegible]	[illegible]
123½	78¼	AMR			9	3000	121	[illegible]	121	[illegible]
[illegible]	24	ASA	1.20	4.7	16	258	25½	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	AbbotL x	1.08	1.7	25	5611	[illegible]	[illegible]	[illegible]	[illegible]
20½	[illegible]	Abitibi	0.40	2.9	7	703	14	[illegible]	[illegible]	
[illegible]	17⅛	ABM Ind	0.40	1.5	21	37	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	17¼	Acceptance			10	892	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	56¼	ACE Ltd	0.88	1.0	11	2250	[illegible]	89	[illegible]	[illegible]
11	10	ACM Gvt In x	0.90	8.4	11	318	[illegible]	[illegible]	[illegible]	
8¼	7	ACM GvOpp x	0.63	7.9		42	[illegible]	[illegible]	[illegible]	
10½	9¼	ACM Man v	0.90	8.9		229	[illegible]	10	[illegible]	
[illegible]	6¼	Acme Elect				62	6½	6½	[illegible]	
20	12½	Acme Mills				24	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	14	ACNielsen			40	347	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	17	Acuson			45	546	19½	[illegible]	[illegible]	
35½	[illegible]	Adams Expr	0.55	2.3	1	172	[illegible]	[illegible]	[illegible]	[illegible]
48½	[illegible]	AdvMic				14316	22	21	[illegible]	[illegible]
27½	[illegible]	Advest Grp	0.12	0.5	16	46	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Adv Inc			20	625	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Aegon	1.31	1.6	22	495	[illegible]	[illegible]	80	[illegible]
[illegible]	3⅛	Aeroflex				209	[illegible]	[illegible]	[illegible]	[illegible]
57½	33	Aeroquip	0.80	1.5	16	301	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	24	AES Corp				2400	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Aetna x	0.80	1.0	27	7700	[illegible]	[illegible]	[illegible]	[illegible]
32	19½	AffCom			22	624	[illegible]	[illegible]	[illegible]	
[illegible]	37½	Aflac	0.46	0.9	17	1199	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	19¼	AGCO	0.04	0.1	10	3330	[illegible]	[illegible]	27	[illegible]
21⅝	17¾	AGL Res	1.08	5.9	13	1152	[illegible]	[illegible]	[illegible]	
[illegible]	32	Ahmanson x	0.88	1.5	18	7604	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	AirPrC x	1.20	1.6	19	2472	77½	[illegible]	[illegible]	[illegible]
[illegible]	22¼	Airborne Frt x	0.30	0.5	14	1591	[illegible]	64¼	[illegible]	[illegible]
24½	13½	Airgas			31	880	[illegible]	[illegible]	[illegible]	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¶ Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7552.59	7581.32	7683.24	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.21	104.18	104.33	104.78 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3143.01	3184.23	3211.60	3369.27 (15/10)	2222.07 (2/1)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	243.11	241.99	242.85	248.58 (27/10)	209.47 (25/4)	258.46 (31/8/93)	10.58 (8/7/32)

DJ Ind. Day's high 7667.60 (7646.89) Low 7511.83 (7460.89) (Theoretical)‡. Day's high 7656.22 (7678.57) Low 7540.58 (7487.76) (Actual)‡

Standard and Poors	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	921.13	927.51	938.03	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials¶	1073.83	1080.53	1092.39	1149.82 (7/10)	865.42 (11/4)	1149.82 (7/10/97)	3.52 (30/6/32)
Financial¶	109.84	111.20	112.82	118.04 (7/10)	80.76 (2/1)	118.04 (7/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	484.87	487.28	493.75	514.21 (7/10)	380.47 (11/4)	514.21 (7/10/97)	4.64 (25/4/42)
Amex Comp	680.47	678.27	687.71	721.80 (7/10)	541.20 (28/4)	721.80 (7/10/97)	524.20 (16/7/96)
NASDAQ Cmp	1590.72	1602.40	1623.44	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	435.40	435.22	442.83	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	129.36 (7/12/93)

■ RATIOS

	Nov 7	Oct 31	Oct 24	Year ago
Dow Jones Ind. Div. Yield	1.76	1.80	1.73	2.09
	Nov 5	Oct 29	Oct 22	Year ago
S & P Ind. Div. yield	1.50	1.55	1.47	1.89
S & P Ind. P/E ratio	25.28	24.60	25.96	28.58

US DATA

■ MARKET ACTIVITY

● Volume (million)	Nov 10	Nov 7	Nov 6
NYSE	599.742	569.980	544.240
Amex	22.955	28.264	22.319
NASDAQ	600.876	687.248	647.840

NYSE	Nov 10	Nov 7	Nov 6
Issues Traded	3,414	3,418	3,408
Rises	1,471	534	1,242
Falls	1,401	2,407	1,658
Unchanged	542	477	510
New Highs	71	33	87
New Lows	42	62	24

■ NYSE TRADING ACTIVITY — Volume : 436,167,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Compaq Cmp	6,540,100	61¾	−3¼
Boeing	4,146,400	46½	+1¼
Tel Brasil	4,084,800	96	−1⅞
GTE Corp	4,048,400	44⅞	+7⅛
Seagate	3,437,100	24¼	−2
AT & T	3,305,300	49¾	+¼
IBM	3,185,100	97⅞	−7¼
Westrn Dig	3,088,300	21⅞	−2⅜
Ph Morris	3,032,700	41⅝	−¼
Gen Elect	3,022,200	67	−1

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Talton	21	+1⅞	+10.2
Bass Barrie	28⅞	+1⅞	+7
Tricon Gbl	32⅞	+1⅞	+5.7
Texas Inds	48⅞	+2⅜	+5.4
Downs			
Appld Mag	17⅞	−3⅞	−17.8
Newhall Lnd	28¾	−3¾	−11.3
Bay Netwk	30	−2⅞	−8.8
Fred Myr	29⅞	−2⅞	−8.4

■ NASDAQ TRADING ACTIVITY — Volume : 578,919,000

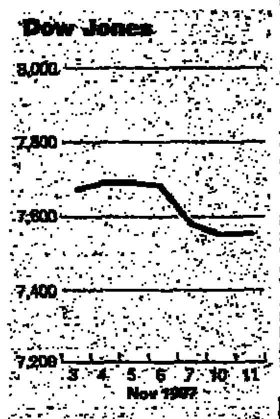
■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
MCI Comm	24,490,700	41⅞	+4¾
Worldcom	23,026,100	31	−2¼
Intel Corp	19,717,900	75¾	−2¼
Apple Cmptr	12,482,600	18¾	−1
Appld Matrl	11,291,700	32¾	−2⅞
Centocor	10,711,600	43¾	−9
Quantum Cp	8,700,200	28⅛	−1⅞
3Com Corp	8,451,600	38⅛	−2⅛
Dell Cmptr	7,854,400	75¾	−2⅞
Sun Micro	6,735,800	34⅛	−1⅞

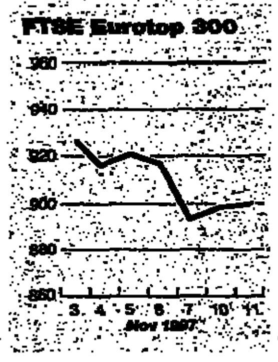
■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Grp I Sftwre	11	+4	+57.1
Bird Corp	25¾	+5¾	+28.5
Mediplex	10	+2	+25
Natl Merc	15¾	+2½	+18.9
Downs			
CKS Group	13¾	−22¾	−63.1
Medical Res	8¾	−3¼	−28
London Fin	15	−5¾	−25.5
Centocor	43¾	−9	−17.3

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	15867.23	15697.20	15836.38	20681.07	15697.20	38915.9	1597.2

■ TOKYO TRADING ACTIVITY — Volume : 427,000,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Sanyo Secs	22,819,000	8	+3
Sakura Bnk	12,889,000	430	+15
Nippon Stl Cp	7,810,000	245	−2
Bk Tk-Mitsbsi	7,081,000	1620	+110
Yamaichi Scs	6,966,000	165	+8
NEC Corp	6,054,000	1310	−10
Sumo Mit Ind	5,630,000	256	+7
Mitsui T & Bk	5,187,000	345	+15
Mitsub T & Bk	5,178,000	1180	+50
Sumo Bank	5,139,000	1220	+80

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Sanyo Secs	8	+3	+60
Tomen Chm	327	+42	+14.7
Nihon Chem	490	+50	+11.4
Seiyo Food	572	+52	+10
Downs			
Nip Chemcon	171	−27	−13.6
Kyodo Print	539	−62	−10.3
Nichimen	225	−24	−9.6
Daikyo Cp	405	−42	−9.4

FRANCE

	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	closed	closed	2888.71	3094.01	2256.97	3094.01	984.61

■ PARIS TRADING ACTIVITY — Volume : 879,304,860

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Fr Telecom	23,731,280	212.4	−8.3
Pernod Ric	1,634,939	270.5	+8
Usinor	1,473,560	90.6	−3.9
Axa-UAP	1,248,127	398	−7.5
Elf Aqtne	1,121,032	667	−24
Rho-Poulc A	1,095,704	242.7	−10.7
B.N.P.	987,290	251	−11
A.G.F.	882,870	298	−4.5
Eaux (C Gen)	817,812	713	−13
Total B	717,018	620	−9

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
BSD Bisquit	110	+10	+10
SIPH	330	+29.8	+9.3
Marom et Cie	1249	+99	+8.6
Dc Lamothe	420	+33	+8.5
Downs			
Delville	59	−8.95	−13.2
Mile Amis	46.5	−6.5	−12.3
Sofo	265.4	−28.6	−9.7
Sa Monaco	522	−48	−8.4

GERMANY

	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	3731.08	3752.93	3899.89	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 7,204,043

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Dische Bank	501,477	111.8	+1.3
Bayer	491,051	58	−0.4
Siemens	427,879	102.9	−1.75
Daimler-Benz	426,028	111.2	+0.7
BASF	385,687	58.5	−0.85
Commerzbnk	303,148	60.3	−0.2
Bayer Vrnsbk	278,787	100.9	+0.7
Deutsche Tel	240,211	32.75	−0.05
Hoechst	233,973	68.3	−1.1
Veba	208,798	94.9	−2.5

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Karstadt	89	+5.5	+6.6
Marseille Klnk	24.4	+1.4	+6.1
Grohe(Fr)NVPf	520	+20	+4
Douglas	65.5	+2.35	+3.7
Schmalb Leb	342	+10	+3.0
Downs			
Massa	156	−13	−7.7
EscadaNV Pf	200	−13	−6.1
Kolbenschmdt	21.5	−1.0	−4.4

UK

	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	4793.7	4806.8	4764.3	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY — Volume : 762,700,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
British Steel	99,799,930	147½	−2½
BT	50,785,860	466¼	−8¾
Acorn	26,598,060	145	+4
Shell T&T	18,596,430	404½	−7½
Tesco	10,806,590	475¼	+8¾
BTR	9,922,720	203	+1¼
Unilever	9,230,598	461	+½
Barcl	8,358,791	248½	−½
Tomkins	7,894,184	303½	+6½
GEC	7,417,790	391	+3

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Menvier-Sw	254	+49	+23.9
Pycrft Arn	81½	+10½	+14.8
Bolt Bros	187½	+20½	+13.9
Headway	42½	+4	+10.4
Downs			
Indust Cntrl	49	−6½	−11.7
Gresham Cmp	24	−2½	−9.4
Memory Crp	35	−3½	−9.1
Deansheart	55	−5	−8.3

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	925.70	930.00	+3.80	932.80	925.70	101,406	379,622
Mar	937.80	939.50	+1.90	940.00	937.00	1,174	15,791
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	15870.0	15840.0	+110.0	15870.0	15640.0	28,307	172,858
Mar	15730.0	15730.0	−30.0	15730.0	15730.0	57	14,037

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2700.0	2696.0	–	2700.0	2682.0	1,912	48,262
Dec	2738.0	2703.0	–	2742.0	2687.0	146	19,818
■ DAX							
Dec	3720.0	3741.0	−4.0	3752.0	3711.5	13,805	78,525
Mar	3765.0	3775.0	−14.0	3780.0	3763.0	39	5,512

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2302.00	2302.75	−25.25	2326.00	2299.00	2,540	28,978
Dec	2328.00	2324.25	−11.75	2328.00	2324.25	31	1,830
■ SOFFEX							
Nov	5450.00	5487.00	+14.8	5499.0	5443.0	3,191	24,887
Dec	5484.00	5494.10	+10.3	5484.0	5470.0	382	1,093

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Yield	P/E
Hungary	Bux	6805.31	7108.79	7095.26	8483.88 5/8	4281.39 6/1	na	na

Prices defied expectations to end lower in spite of recent round of good earnings figures.

Country	Index	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	3723.40	3721.65	3747.32	4548.02 5/8	3225.24 2/1		
	Crisil 500	683.50	684.42	686.95	843.28 5/8	622.71 2/1	na	na

Telephone stock MTNL led shares higher on reports that a Euroissue by company may not go ahead due to market conditions.

Country	Index	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Yield	P/E
Poland	WIG	(c)	(c)	15830.5	18339.40 18/2	14421.80 6/1	1.55	10.7

Country	Index	Nov 11	Nov 10	Nov 7	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3369.67	3392.60	3418.43	3988.61 3/10	2165.57 2/1	1.75	24.5
	PSI 20	7847.07	7900.45	7953.76	8603.52 3/10	5152.34 2/1		

BCP heavily traded on view that it was attractive buy at current levels.

NASDAQ NATIONAL MARKET

4 pm close November 11

NASDAQ NATIONAL MARKET

AMEX PRICES

4 pm close November 11

EASDAQ

FINANCIAL TIMES Wednesday November 12 1997

Investors go cool on the Baltic republics

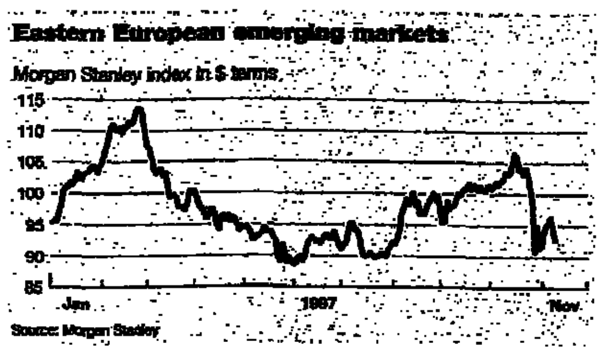
WORLD OVERVIEW

Stock markets yesterday braced themselves ahead of today's meeting of the Federal Reserve open market committee which could sanction an increase in US interest rates, *writes Philip Coggan*.

A rate rise would come as a surprise after recent stock market turmoil. Cary Leahey, US economist at High Frequency Economics in New York, said: "No-one is looking for the Fed to move today. Domestic considerations present a mild case for another tightening but the shaky equity markets here and abroad are more pressing, keeping the Fed on hold."

Nevertheless, central bankers have surprised markets before and traders were understandably unwilling to take big positions ahead of the news. Furthermore, a number of European markets were closed for Armistice Day and with the US market operating at half-pace because of its rough equivalent, Veterans Day, bourses were fairly subdued.

Eastern European emerging markets



Source: Morgan Stanley

A sign that recent volatility *was prompting investors* to pull out of the fringe markets was shown by the Baltic republics, where Estonia followed Monday's 19 per cent dive with an initial drop of a further 10 per cent.

Speculation that Estonia *may devalue its currency, in* the face of a sizeable current account deficit (about 10 per cent of GDP), has made overseas investors nervous.

And a sharp rise in interest rates, designed to cool an economy which grew at an *annual rate of 13.4 per cent* in the second quarter, has hit local investors; many had bought shares on borrowed money in the hope of profiting from a market which, *until the recent fall-out*, had quintupled in a year.

Although the Estonian market recovered to finish only 1.75 per cent down on the day, the contagion has spread to the other Baltic states. The Latvian market *fell 4 per cent on Monday* and another 8.8 per cent yesterday, while all five listed stocks in Lithuania were marked lower at the morning price fix.

Geoffrey Dennis, emerging markets strategist at HSBC *James Capel, said Estonia* was suffering because speculators have recently been targeting all countries with a currency board. The Estonian kroon is linked, via a *board, to the D-Mark.*

But Stuart Bennett at Westdeutsche Landesbank said there was considerable political capital invested in the Estonian exchange rate, and the country would probably battle hard to defend it.

Another market feeling the pressure because of currency speculation is Greece. The Athens general index dropped 5.9 per cent yesterday in the face of the high *short-term interest rates* – 40 per cent for one-month *money – needed to defend* the currency.

London market, Page 30

EMERGING MARKET FOCUS

Honeymoon over for Thais

The Thai stock market has greeted the supposedly investor-friendly new government, led by Chuan Leekpai and his band of economic heavyweights in the Democrat party, with a two-day fall of 5.1 per cent.

This can be explained partly by the one-week elopement between the market and the Democrats, which resulted in a 10.2 per cent rise in stock prices following the resignation of the former prime minister, Chavalit Yongchaiyudh. Once Mr Chaun's appointment was confirmed, he and the market have had to settle down to more mundane married life.

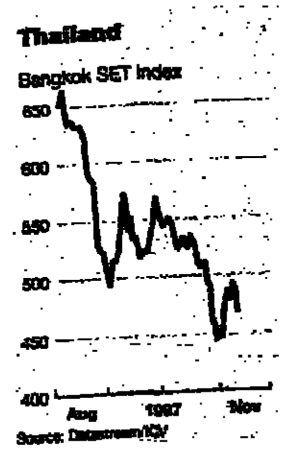
What they are finding is not pleasant. Mr Chuan acknowledged yesterday that some unpublished figures – many believe he was talking about the huge sums that the Thai central bank *is still lending* to banks and finance companies – look "scary".

Meanwhile, the stock market took to heart a report by broker Jardine Fleming which called a "sell" on all Thai banks, claiming that non-performing loan levels could rise to 25 to 30 per cent by the middle of next year. The banking sector, the biggest and most liquid in the Thai market, closed down 8.2 per cent yesterday.

Such levels of non-performing loans "will wipe out a significant amount of equity in the banks, which calls for a large revision downward of our adjusted book values", Jardine Fleming said, echoing an opinion held by other brokerages.

As Thai banks head into large recapitalisation exercises, the remaining equity levels in the banks, in some cases negative, are important in assessing how much dilution existing shareholders are going to have to shoulder.

Thailand



Source: Datastream/ICV

If banking recapitalisation costs $1bn (about $1.2bn has already been announced by eight Thai banks), this will equal the maximum amount, in terms of percentage of market capitalisation, raised in the Thai market during the boom years, according to Dresdner Kleinwort Benson. The difficulties in raising such cash during periods of financial volatility will continue to put pressure on share prices.

Domestic investors who have their money in mutual funds could also start to redeem their funds if the economic slowdown continues for much longer.

The one *positive for foreign* investors is that the declines over the past two days have been mitigated by a strengthening of the Thai baht. Yesterday it closed at Bt37.9 to the US dollar after hovering below *Bt40 for* much of last week.

"The Democrats are actually better for the currency than for the stock market," says David Connor, head of research at Indosuez W.I. Carr in Bangkok.

"If they make the difficult and painful decisions needed, that is going to be reflected [in] at least six more months of poor performance in the economy and earnings of listed companies. But [those decisions] should be positive for the overall system and therefore strengthen the currency."

Ted Bardacke

Dow steady ahead of Fed rate meeting

AMERICAS

Wall Street had another dull morning as the market appeared to go on hold ahead of today's meeting of the Federal Reserve open market committee, *writes John Labate in New York*.

Volume was again thin as investors remained cautious. "All the pieces are in place for the market to do nothing," said Michael Driscoll, senior block trader at Hambrecht & Quist.

The absence of the Treasury market, closed for Veterans Day, helped to subdue trading levels.

By early afternoon the Dow Jones Industrial Average was 13.75 higher at 7,565.85. The broader Standard & Poor's 500 index rose 4.34 at 925.47. The Nasdaq composite index was up less than a point to 1,591.28.

Among Dow components, all eyes were on Eastman Kodak, which announced a new strategy to reduce costs. The stock was down $4⅛ or more than 6 per cent to $61⅛.

Shares in Caterpillar, the industrial equipment maker, also fell after CIBC Oppenheimer downgraded the stock to "underperform". Caterpillar fell $2⅝ or more than 5 per cent to 47\frac{3}{16}$.

Equity trading continued to lack a clear direction as the earnings reporting season draws to a close. "The market's having a tough time holding on to gains," added Mr Driscoll.

"A lot of people are looking for the market to drift lower, with many expecting the Dow to re-test lows near to 7,000," he said.

The telecoms industry continued to feel the impact of the merger deal between MCI and WorldCom.

Sprint, the third largest long distance company, rose 2\frac{15}{16}$ or more than 5 per cent to $55⅝ after Morgan Stanley increased the company's rating. WorldCom fell back, down 1\frac{3}{16}$ to 29\frac{11}{16}$. Shares in MCI lost $⅜ at $41⅛.

Shares in WalMart rose $⅝ to 37\frac{3}{16}$ after the retailer released earnings in line with expectations.

Technology company stocks were mixed. The Pacific Stock Exchange's technology index rose less than a point to 301.30.

TORONTO traded within a narrow range in slow volume ahead of today's meeting of the Federal Reserve open market committee. Golds rallied on the back of improving bullion but the broad market showed little change.

At noon, the 300 composite index was up 1.57 at 6,820.60.

A good morning for golds helped mitigate generally dull trading for bank shares. Barrick rose 55 cents to C$27.70 and Placer Dome 55 cents at C$19.75.

Among banks, Royal Bank of Canada hardened 10 cents to C$74.50, but Toronto-Dominion came off 50 cents to C$52.25 and Bank of Montreal eased 35 cents to C$64.45.

Alcan Aluminium gained 30 cents to C$39.70 and Newbridge Networks 60 cents to C$62.10.

A profits warning sent Milkyway Networks down C$1.18 to C$1.71.

Mexico City edges up

MEXICO CITY opened higher, buoyed by an advance on Wall Street and news that Brazilian shares had stabilised.

Dealers reported some buying interest and the IPC index was up 14.63 to 4,560.15 at mid-session.

Investors gave a robust response to news that Carlos Slim, who chairs telecommunications giant Telmex, underwent heart surgery last month and was now out of danger. Telmex was up 30 centavos at 17.90 pesos, while Grupo Carso, a conglomerate headed by Mr Slim, was 50 centavos lower at 52.20 pesos.

SAO PAULO lost ground in thin trade as investors continued to mull over what the government's fiscal austerity plan means for economic growth.

The Bovespa index was 24 lower at 8,982. The decline was led by Telebras, which dropped R$1.29 to R$108.70.

SANTIAGO traded sideways as investors continued to fret about lower levels of economic activity following Brazil's austerity plan. The SASE index rose 0.24 to 115.44.

Daimler sidesteps profit warning

EUROPE

A firmer Dow and dollar provided support which enabled **FRANKFURT** to hold on to modest gains in late electronic trade and the *Ibis-indicated* Dax index finished 6.42 higher at 3,734.79.

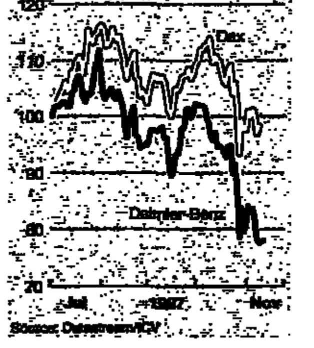
Daimler-Benz picked up DM1.60 to DM111.30 after an analysts' conference call which played down problems surrounding the launch of its new small A-class car.

Earlier in the day, the company said that the cost of equiping the car with additional safety features to prevent it from overturning would reduce 1998 operating earnings by DM200m.

A DM27.20 fall in Volkswagen to DM959.80 was attributed to the delay in the company's planned capital raising exercise until next year at the earliest, and its exposure to the Brazilian car market.

Among the day's best performing stocks, Henkel picked up DM3.80 to DM96.70 and Beiersdorf was DM2 higher at DM75 in the wake of nine-month results.

Daimler-Benz



Source: Datastream/ICV

AMSTERDAM had another day of narrow trading. Volume stayed low and at the close the AEX index was off 1.30 at 855.74.

ING was the main talking point. The financial giant was again at the centre of rumours of a bid for Banque Bruxelles Lambert of Belgian and the shares rose 80 cents to Fl 81.80.

A statement from ING was said to be imminent.

Aegon dipped 10 cents to Fl 154.30 ahead of today's third quarter results statement. Quarterly figures from Hunter Douglas disappointed, sending the shares down Fl 3.00 to Fl 79.80.

ZURICH was enlivened by activity in the banking sector in otherwise dull trade and the SMI index finished 24.2 higher at 5,483.9.

UBS picked up SFr10 to close at SFr1,698, off a high of SFr1,712, as a largely favourable reaction to the bank's 88 per cent rise in nine-month net profits waned as the day wore on.

Analysts noted that activity in the shares remained rumour driven with some investors believing that the group may be planning an important announcement at its annual press conference on November 21.

Nestlé gained SFr30 to hit SFr2,000 on steady buying from the UK and US as the stock continued to benefit from last week's figures from Unilever. Analysts noted that Monday's news of Nestlé's purchase of Italy's San Pellegrino group would reinforce the Swiss group's position as one of the world's largest mineral water producers.

MADRID declined for a fourth consecutive session as renewed weakness in Telefonica weighed on the market.

Shares in the telecommunications group fell by 3 per cent in the morning session after Rodrigo Rato, Spain's economy minister, mistakenly said that urban phone tariffs would be cut by up to 50 per cent next year. What he meant was that rural tariffs would be cut by 5 per cent.

The statement was later corrected, but Telefonica struggled to recover lost ground, ending Pta85, or 2.1 per cent, lower at Pta3,900. The stock was also short of friends because of uncertainty surrounding its proposed link-up with MCI of the US following WorldCom's increased offer, dealers said.

Paris and Brussels were closed to mark Armistice Day.

Otherwise, trading remained quiet with dealers reporting little buying interest from investors. The general index ended 4.67 lower at 547.16.

Domestic earners again outperformed, with motorways operator Aumar Pta35 higher at Pta2,335 and rival Acesa up Pta10 at Pta1,855.

ATHENS tumbled 5.9 per cent as domestic and foreign investors lost confidence, unsettled by the persisting high drachma rates in the money market which added to the overall bearish mood.

The general index settled 85.62 lower at 1,377.76 after hitting an intra-day low at 1,367.92. All but one of its 62 component stocks finished lower on the day.

ISTANBUL saw early gains erased by strong afternoon selling, prompted by technical resistance and increasing caution on the part of investors.

The IMKB National-100 index ended the day at 2,918, down 65 and sharply below a day's high of 3,062 registered during morning trade.

MOSCOW extended Monday's 8 per cent drop as the market remained in the grip of a fierce liquidity squeeze.

Large broking houses were said to be refusing to deal with smaller regional brokers because of counterparty risk fears, preventing domestic investors picking up shares being sold by foreign investors.

"A lot of domestic investors think prices are quite attractive now the market has fallen by 25 per cent, but their bids are not being taken up," said Christopher Granville at UCB, a Moscow brokerage.

The RTS index closed at 385.69, down 16.41 or 4.1 per cent.

FTSE Actuaries Share Indices — European series

November 11

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	899.55	+0.15	+1.35	2.50	0.00	904.19
FTSE Eurotop 100	2089.69	−0.05	−1.05	–	–	–
FTSE Eurotop 300 Regions						
300 UK	911.03	+0.78	+7.06	3.48	0.00	920.40
300 Ex-UK	893.56	−0.22	−1.97	1.93	0.00	895.56
300 Eurobloc	877.98	−0.26	−2.27	2.17	0.60	880.91
300 Ex-Eurobloc	915.72	+0.43	+3.93	2.72	0.00	921.84
FTSE Eurotop 300 Economic Groups						
Resources	903.37	+0.09	+0.80	3.02	0.00	915.94
General Industries	875.72	−0.44	−3.91	2.23	0.00	877.17
Consumer Goods	881.87	+0.30	+2.60	2.05	0.00	885.35
Services	929.54	+0.49	+4.56	2.38	0.00	934.77
Utilities	922.37	+0.22	+2.02	3.54	0.00	927.84
Financials	905.73	+0.33	+3.01	2.47	0.00	910.15

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Markets closed: France & Belgium.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Peter Hall.

SOUTH AFRICA

Shares in Johannesburg put negative inflation news to one side and concentrated on upbeat corporate results.

The all-share index rose 54.3 to 6,659.5 following a 171.3 gain to 10,115.2 for the financial sector. Industrials improved 43.9 to 8,179.5.

Dealers said a stronger-than-expected producer price index for September was seen as a blip in the long-term downward trend. Golds added 5.1 to 855.8.

Banks' rebound supports Nikkei

ASIA PACIFIC

A rebound for bank shares lifted **TOKYO** but underlying sentiment stayed weak, *writes Bethan Hutton*.

The market is expecting *further details of* a government stimulus package to be announced on Friday, which is leading to some reluctance to trade outside a fairly narrow range, even though expectations for the package are low.

The Nikkei 225 average strengthened 1.1 per cent, gaining 170.03 to close at the day's high of 15,867.23, after hitting a low of 15,647.65.

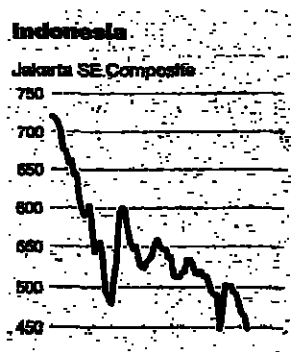
The Topix index of all first section shares climbed 14.37 to 1,224.95 while the capital-weighted Nikkei 300 index was up 3.56 at 239.48.

In London, the ISE/Nikkei 50 index fell 0.16 to 1,399.31.

Banks and securities companies dominated the list of the day's most heavily-traded shares. Sanyo Securities, which has filed for bankruptcy, was the day's volume leader, gaining Y3 to close at Y8.

Yamaichi Securities, which has been hit by rumours of financial difficulties, firmed Y8 to Y165, also in heavy volume. The securities sector was up 2.01 per cent as a whole.

Indonesia



Source: Datastream/ICV

The banking sector showed the strongest overall gains, rising 4.01 per cent. The momentum of banking buy-backs started in Europe overnight and continued in the Tokyo session.

However, traders said there was no fundamental improvement in the outlook for the banking sector, which has fallen more than 35 per cent so far this year.

Bank of Tokyo-Mitsubishi gained Y110 to Y1620, Sanwa Bank Y45 to Y1,040, Sumitomo Bank Y90 to Y1,220, and Industrial Bank of Japan Y30 to Y1,040.

Rumours of a new alliance in the telecommunications sector led to the suspension of shares in KDD, an international carrier, after a *newspaper reported that it* was to merge with Teleway, a telecommunications affiliate of Toyota, the car maker. Toyota's shares gained Y50 to Y3,330 although none of the companies would confirm the reports.

Turnover slipped to an estimated 430m shares, from 437m on Monday. Gainers outnumbered losers by 625 to 461, with 166 unchanged.

In Osaka, the OSE index climbed 144.21 to 16,753.54, in volume of 10.1m shares.

JAKARTA concentrated on the corporate results season and found it wanting. The composite index fell 14.54 or 3.1 per cent to 448.16 on turnover of around Rp306bn.

Dealers said that trading was dominated by local players. Astra, which announced lower nine-months earnings, lost Rp50 to Rp2,225. Telkom slipped Rp75 to Rp2,975.

Gudang Garam was the leading loser, declining Rp1,100 or 11.6 per cent to Rp8,400 on strike news.

HONG KONG trimmed early gains but still closed slightly firmer, overhung by worries over high interest rates and falling property prices.

The Hang Seng index turned back from a high of 10,251.65 to close 11.29 better at 10,004.13, its first advance after five straight sessions of losses.

SINGAPORE saw cherry-picking of stocks viewed as under-valued, but many dealers remained pessimistic over the short to medium-term outlook.

The Straits Times Industrials index climbed steadily through the day, reflecting increased buying interest in a range of blue chips, to close 20.41 higher at 1,684.10.

SEOUL failed to rally after Monday's 6 per cent fall, weighed down by continuing concerns about financial instability. The composite index closed 3.21 lower at 522.11.

Dealers said the market had failed to recover because attempted rallies had prompted further foreign selling. Foreign sales were estimated at Won70bn, down from Monday's Won96.6bn.

FINANCIAL TIMES SURVEY Wednesday November 12 1997

BELGIUM

With preparations for Emu on track, leaders must now try to restore the public's faith in the nation's institutions, argues **Neil Buckley**

Prosperous despite a sense of unease

Cast a rapid glance at Belgium and you see a stable, prosperous nation, on its way to joining the European single currency, with good healthcare and education, and unemployment at about the European average. Take a deeper look, however, and you find a country which, 167 years after its foundation, is still not at ease with itself.

After the explosive growth of the post-war decades, the oil price shock of the 1970s – which hit heavy industrial Belgium particularly hard – and the beginning of recovery in the 1980s, recent years have been marked by growing questions over the future of this culturally and linguistically divided nation.

Talk to most citizens and their biggest concern is lack of faith in Belgium's institutions. A recent survey of 3,000 people by the francophone daily Le Soir found only 21 per cent expressed confidence in the justice system and federal government; only a quarter in regional government or the national parliament. Eight out of 10 considered Belgian politicians corrupt.

The poll coincided with the anniversary of the "White March", when more than 300,000 people processed in silent protest through the streets of Brussels demanding sweeping legal reforms.

The case that provoked the White March, the so-called Dutroux affair in which at least four young girls were kidnapped, abused and murdered, allegedly by a convicted rapist, still casts a shadow over the nation.

A parliamentary inquiry into the affair, and the institutional bungling and corruption it exposed, concluded this April that malfunctionings of the legal system were so bad as to "put at risk the state of law".

The Dutroux affair could resurface next month when the inquiry commission is due to publish its final report, examining individual responsibilities for judicial failings and whether – as many Belgians believe – the accused enjoyed official protection.

Public suspicions of state institutions have been fuelled by new revelations of alleged bribe-taking by the francophone Socialist Party in the late 1980s. Members are accused of taking kick backs from Agusta, the Italian helicopter company, and Dassault, the French aviation group, in return for government contracts.

Two senior Socialist politicians were arrested in connection with the case in January, while Guy Spitaels, former Socialist party president, was forced to resign as president of the Walloon regional assembly in March.

Jean-Luc Dehaene, the federal prime minister, insists that a tightening of the rules on party funding means such corruption is a thing of the past. He also insists that "revolutionary" legal reforms are under way.

Funding is being increased, the political appointment of judges is being ended, a new Supreme Legal Council is being created and the Belgian premier last month presented plans to amalgamate the country's two national police forces – the gendarmerie and court-controlled judicial police.

"I always knew our biggest challenge would be time," he says. "People will start to sense changes pretty quickly but real changes will take five or six years to make themselves felt. Managing that is our biggest challenge, which is why I clearly said, on the anniversary of the White March, that I had full understanding for those who said they wanted to start ripping up the paving stones."

There is a similar problem, Mr Dehaene adds, with making the public understand the need for the years of economic belt-tightening they have suffered to get Belgium in shape for the European single currency.

But bringing public finances under control remains the crowning achievement of Mr Dehaene and his finance minister Philippe Maystadt. Such an achievement would have seemed unthinkable in the days of double-digit budget deficits in the 1980s and even when the first Dehaene coalition took power six years ago.

The deficit is forecast at 2.8 per cent of gross domestic product this year and 2.3 per cent next – well within the 3 per cent Maastricht target. Belgium's debt, though still the highest in the EU, has come down by 10 percentage points in four years.

The government believes single currency membership will cement Belgium's position in Europe and ensure continuing tight control of public finances. The end of exchange rate fluctuations should benefit Belgium's exceptionally open economy – 70 per cent of GDP comes from trade, most with the EU. Belgian companies are already profiting from the end of the continental European recession.

The Federal Planning Bureau last week upped its forecast for economic growth this year from 2.1 to 2.4 per cent, and for 1998 from 2.5 to 2.7 per cent. The Bel-20 index of leading shares reflects the business optimism, up over 30 per cent since the new year, even after the recent turbulence on world markets.

But two popular concerns remain about the single currency. The first is the potential impact on Belgium of exposure to a Europe-wide economy.

This year's defining economic event was the closure of French carmaker Renault's assembly plant at Vilvoorde, north of Brussels, with the loss of 3,100 jobs. The brutal handling of the closure announcement, and failure to consult unions, was attacked both by Belgian politicians and the European Commission.

More worrying was the apparent underlying reason for the closure: Belgium's high wage costs. Renault officials suggested the total cost of employing workers in Belgium was 30 per cent more than in France.

With monetary union in sight, the government's new priority is to cut wage costs, particularly employers' social costs, to ensure Belgium can compete. What some have christened the "Vilvoorde syndrome" was also clearly behind Mr Dehaene's intervention in the spring merger of French holding company Compagnie de Suez and utility group Lyonnaise des Eaux. He personally sought guarantees that the autonomy of Tractebel, the fast-growing Belgian utility group indirectly controlled by Suez, would not be compromised.

The second lingering fear is that monetary union could exacerbate tensions between Belgium's regions: Dutch-speaking, centre-right, Flanders, with its low unemployment and modern economy; and French-speaking, left-leaning Wallonia, with its once-great but declining industry and high jobless total – not to mention the Brussels region, a largely francophone island within Flanders, with the highest unemployment rate of all.

The move to an openly federal constitution in 1993 was an attempt to preserve national unity. But it has, if anything, increased demands for devolution of powers to the regions – at least in the political classes and media. Many regional politicians and commentators see Belgium's linguistic dividing line, first formally recognised in 1963, as not just the border between Flanders and Wallonia, but between northern and southern Europe.

"We are the only country where a more Nordic approach and a more southern approach are in a kind of direct confrontation," says Luc Van den Brande, minister-president of Flanders.

Mr Van den Brande, says that, contrary to popular belief, he does not want an independent Flanders. But he does want an "autonomous Flanders within the Kingdom of Belgium".

His Walloon counterpart, Robert Collignon, is more cautious, warning that demanding more regional powers risks opening a "Pandora's Box" that could eventually lead to the dismantling of the Belgian state.

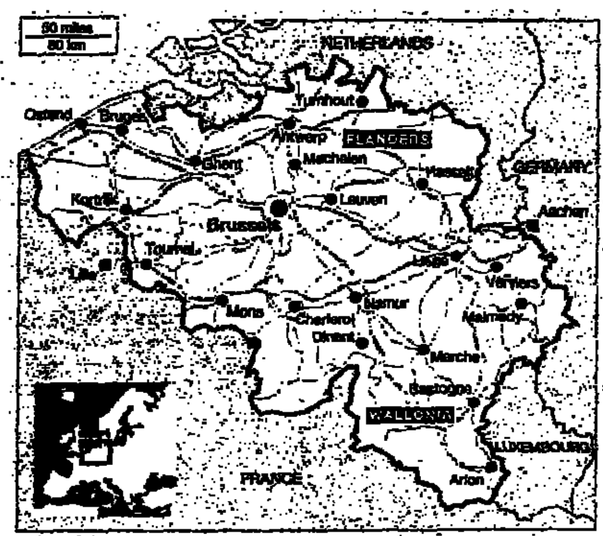
"That would be just as detrimental for our Flemish compatriots as it would be for us," he says.

With talks on further constitutional change expected to start after the next election in 1999, all sides are starting to formulate their positions.

But Mr Dehaene says it is precisely Belgium's ability to evolve and adapt that has kept it together, and will keep it together, for years to come.

"I've always said Belgium's structures are dynamic," he says. "I consider it one of the merits of Belgian politicians that we have been able to evolve and reach agreements that have been approved with two-thirds majorities in each linguistic group.

"And this has never given rise to terrorism or bombs – which is not something everyone in Europe can say."



- Area: 30,514 sq km
- Languages: Dutch, French and German
- Currency: Belgian Franc (BFr)
- Exchange rate: 1996 av $1 = BFr 30.96 · November 6 1997 $1 = BFr 35.52
- Population: 10.2 million (1997 est)
- Main cities and population: Brussels (capital) 960,000; Antwerp 468,000; Ghent 230,000

Economic summary

	1996	1997 Forecasts	1998 Forecasts
Real GDP growth (annual % change)	1.5	2.3	2.7
Inflation (annual % change in CPI)	2.1	1.8	2.1
Average hourly earnings (annual % change)	1.7	2.7	3.2
Industrial production (annual % change)	1.4	3.2	3.8
Unemployment rate (% of workforce)	9.8	9.5	9.1
General govt financial balance (% of GDP)	-3.2	-2.8	-2.3
Government debt (% of GDP)	127.4	131.3	130.9
Current account balance ($bn)	14.4	9.9	9.0
Merchandise exports ($bn)	154.3	143.9	150.5
Merchandise imports ($bn)	144.3	142.3	143.6
Trade balance ($bn)	10.0	1.6	6.9

Main trading partners (share of total trade to world, 1996)*

Exports		Imports
75.1%	EU	75.7%
20.6%	Germany	19.9%
17.8%	France	15.3%
13.3%	Netherlands	18.5%
9.0%	UK	9.2%

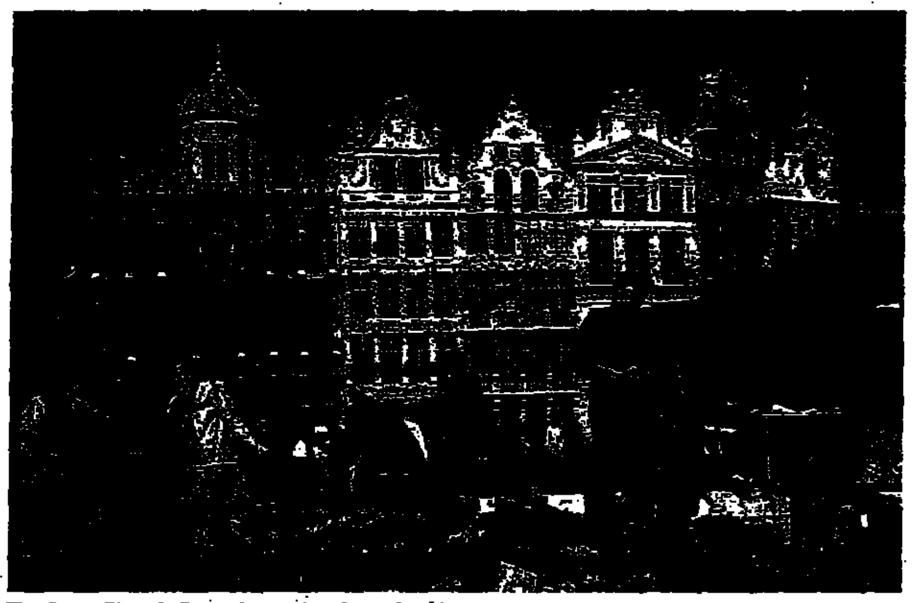
* Figures for Belgium-Luxembourg Economic Union (BLEU)

Constitution

- Form of state: Constitutional monarchy
- Federal legislature: Chamber of Representatives of 150 members directly elected by a system of proportional representation; Senate of 72 directly elected members, 40 directly elected, 31 indirectly elected or co-opted, and the heir to the throne
- Electoral system: Universal direct suffrage over the age of 18
- National elections: May 21 1995; next election due by May 1999
- Head of state: King Albert II acceded to the throne in August 1993
- National government: Council of Ministers headed by the prime minister (Jean-Luc Dehaene) appointed by king on basis of ability to gain support of Chamber of Representatives.

There is currently a Christian Democrat (Christian People's Party and Christian Social Party) - Socialist coalition government

Source: EIU



The Grand Place in Brussels: a cultural meeting place

Membership of Emu is being approached systematically and structurally, explains Prime Minister Jean-Luc Dehaene in an interview with **Neil Buckley**

A bigger voice in Europe

Jean-Luc Dehaene: "In the polls you never find a majority saying we must put an end to Belgium"

Photo: Ashley Ashwood

Question: You have made qualifying for monetary union your central policy. *Why is Emu so important?*
Answer: Monetary union is the guarantee that, as the European Union enlarges, the motor of integration will continue to function. If we were not careful, and without such a motor, enlargement could easily become just an evolution towards a free trade zone.

We also should not underestimate the euro as a factor in positioning "Europe" in the global economy. It will give the European economy a home base even bigger than that of the US, and in what will inevitably come – a new monetary order in this globalised economy – the weight of Europe's voice through a single currency will be much greater than if we spoke with 15 different voices.

In Belgium, an understanding of what monetary union meant, and the efforts required to attain it, have been integrated into our policies since 1992. It's not something we have woken up to a few months from the crucial moment, and panicked and started to take measures. It's something we have approached systematically, and structurally.

What are the lessons from the closure of Renault *Vilvoorde?*
Renault is a problem which touched Belgium – and a region I know well, because I live in Vilvoorde – and so people tend to see it from that point of view. But, to avoid jumping to wrong conclusions, we must realise that Renault Vilvoorde is part of a structural problem in the European car industry

Sadly for Vilvoorde, Renault had some of the biggest problems, because, since it was nationalised for so long, it waited too long before restructuring ... and Renault Vilvoorde had some of the biggest problems imaginable – low production, several models, of which it only made part, and a site that was difficult to adapt to new conditions.

But Vilvoorde highlighted the potential impact of high wage costs on Belgium's competitiveness ...
In terms of competitiveness, wage costs are an important

> 'There are moments when we experience common emotions'

element. But we must not fall into the trap of presenting these as the only element. You can't ignore scientific research, training of workers, the flexibility of your labour model.

That said, it is clear we have a problem with salary costs, but we have worked on it. In 1993, we adopted a policy of aligning the evolution of salaries with our neighbouring countries, and undertook a kind of "remedial" operation by freezing real salaries and changing the basis of salary indexation. Then, for 1996-97, we limited salary increases to the average in our three neighbouring countries. That has meant that, since 1987-91 when our wage increases were higher than our neighbours', we have been able to even things out.

Controlling wage costs also means reducing employers' social costs. We have already cut employers' contributions by about BFr60bn, and we want to negotiate with unions and employers a four or five-year plan where we would align employers' costs with our neighbours which would mean reducing them by another BFr80bn-BFr90bn.

Is that possible without fundamental social security reform?
I've always said I don't believe in a "Big Bang" in social security, but that you have to reform it in stages.

We have already re-established financial equilibrium in social security, and we have introduced some "brakes" on the healthcare system, which is the most difficult to control and the most at threat from an ageing population. We have undertaken the first stage in reforming private-sector pensions, and will do the same in the public sector.

So, partial reductions in employers' contributions should be partly compensated for by an easing of the budgetary situation. When we have any budgetary leeway around the [requirements of the EU] stability pact, we must use it primarily for reducing wage costs.

A year after the White March, and despite the legal reforms undertaken, opinion polls suggest citizens still have little confidence in the system. Why?
I always knew that our biggest challenge would be time. Parliamentary debates and acts remain theoretical until they start to change things in people's lives. And there are things which will change fundamentally, I have even talked of a revolution – but that will take time, while we frame the acts, while we make available the means to do it and appoint the personnel.

Did the White March bring Belgium's communities together?
There are moments when we experience common emotions which prove that we are all part of one whole, moments when emotions are felt very strongly, which may be very different from one another. It might be a Belgian football team in the final stages of the European Cup, the death of the King, or the White March. These are moments when common feelings largely overcome any differences. At that moment, those who don't really sense differences say, "You see, there is no difference," while those like to highlight the differences say, "*Hold on, you'll see*". And those two dimensions form part of the Belgian reality, a reality where there are feelings of being Belgian, of being Flemish, of being Walloon, or of being Bruxellois. The main thing is to have structures which can cope with that.

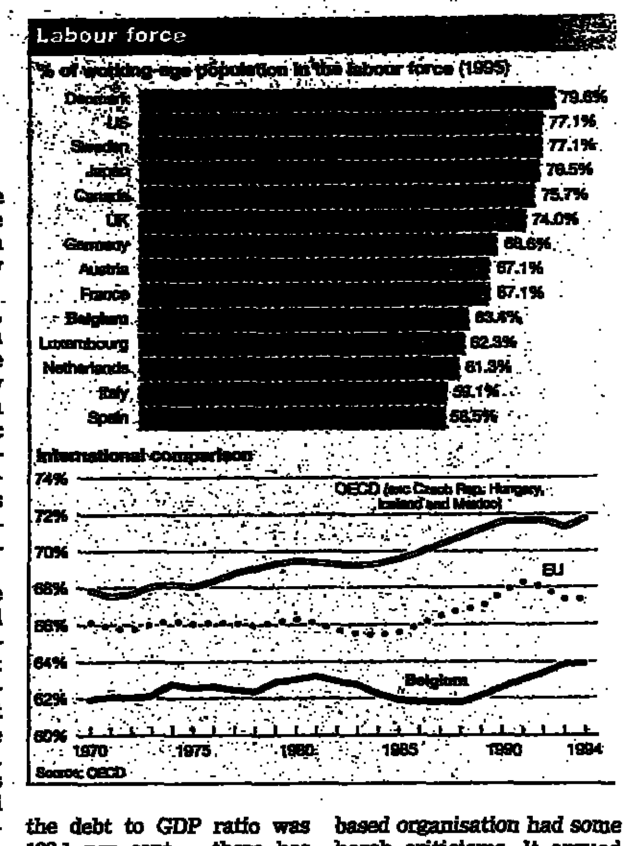
***Are you worried that* Belgian citizens show so little faith in the state institutions, at the same time as the regions are demanding more powers?**
There's something paradoxical about the opinion polls. There is a fundamental lack of confidence in the institutions, that has really become apparent since the Dutroux affair. It is important to respond to that, and re-establish confidence. But in the polls you never find a majority saying we must put an end to Belgium. You will find people saying the regions should have more competencies, but in general the majority of Belgians don't hold extremist views.

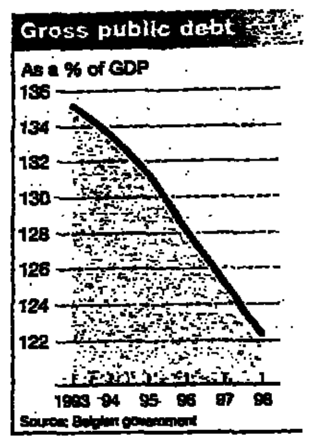
Will Belgium still exist in 10, or 20, years' time?
Yes, but the reality will be a bit different from now.

ECONOMY • by Emma Tucker

Top end of the Emu queue

But the rewards of austerity may be impaired by an ossified labour market





For a country with the highest debt levels in the European Union, the Belgian economy looks remarkably robust.

Years of belt tightening, austerity measures and a wage freeze appear to have paid off, and there is now little doubt that Belgium will meet the economic ambition that has overridden all other considerations for the past five years – to be among the first countries to participate in a single currency.

Figures from both the European Commission and the Belgian government indicate that the budget deficit will this year fall comfortably within the 3 per cent target which aspirants to the single currency must hit. The ratio of debt to gross domestic product, while still high, is on a steady downward trend.

"The outlook is bright," says Kristin Vandenbergen, an economist at Banque Bruxelles Lambert. "We are considering revising our growth forecasts upwards."

BBL estimates that the economy will grow by 2.2 per cent this year. The government puts the rate at 2.1 per cent for this year and 2.5 per cent for 1998 but says these are "cautious assumptions".

A number of factors suggest growth could be significantly higher. Buoyant economic growth in Belgium's main trading partners – Germany, France and the Netherlands, which account for 50 per cent of exports – is expected to consolidate an upwards trend in export sales. According to Ms Vandenbergen exports were up 6 per cent at fixed prices in the first seven months of the year, compared with the same seven months last year. Imports rose by 4.2 per cent over the same period.

Indicators on the investment side are also bullish. Capacity utilisation in the manufacturing sector is at its highest level since May 1974, reaching 83.2 per cent in the second quarter.

The figures bode well for the government's on-going commitment to bringing down the deficit and reining in debt levels.

In 1993 debt levels peaked at 135.1 per cent of GDP, reflecting a tendency of governments in the 1970s and 1980s to resolve tensions between the country's two linguistic groups by throwing money at them.

The Maastricht Treaty requires candidate countries for economic and monetary union to have an outstanding debt not exceeding 60 per cent of GDP, unless it is diminishing sufficiently. Although Belgium remains a long way from achieving the 60 per cent target – last year the debt to GDP ratio was 128.1 per cent – there has been a sustained debt reduction totalling nearly 13 points over the past five years.

The Belgian government believes this will be sufficient to persuade its European partners that the country's debt levels are "diminishing sufficiently". The forecast for this year is 125.1 per cent, in line with the European Commission's forecast of 124.7 per cent.

The deficit is expected to drop to 2.8 per cent this year and 2.3 per cent next year, with long term plans for a reduction to 1.1-1.6 per cent by 2000, provided growth holds up at between 2 to 2.5 per cent.

The blot on this optimistic picture is unemployment. Like many other EU member states, high and sustained joblessness has become a fixture, with multiple programmes and government schemes making little impact on the overall total.

The latest government figures put the unemployment rate at 13.9 per cent of the active population. The European Commission assessment is lower at 9.8 per cent for last year – a figure which does not look particularly high in relation to other west European countries.

However, at 63.1 per cent, Belgium has one of the lowest rates of labour force participation of any member country of the Organisation for Economic Co-operation and Development, where the average is 70.1 per cent.

Various early retirement schemes have encouraged older workers to leave the labour force, and according to the OECD, the underlying rate of unemployment in Belgium, once such workers and discouraged workers are taken into account, could be as high as 25 per cent.

In its latest Economic Survey of Belgium, the Paris-based organisation had some harsh criticisms. It argued that heavy regulation of the labour market, long notice periods for non-manual workers in certain sectors, inadequate differentiation of wages, the centralisation of wage bargaining and high social security costs were all damping demand for labour.

High unemployment benefits and poor job search controls on those claiming to be out of work simply added to the problems, said the OECD. In last month's budget the government sought to ease the unemployment problem by reducing Belgium's crippling social security burden on employers by BFr6bn from next July – equivalent to BFr12bn annually. While welcome, such measures are not enough for the OECD.

It argued that much more radical reforms were necessary, to produce a more flexible labour market and called for greater wage differentiation with respect to skills, the phasing out of the automatic indexation of wages, further cuts in non-wage labour costs, and less centralised wage bargaining. It also said employment protection should be relaxed so as to stop employers being discouraged from hiring new workers. Further, notice periods should be reduced for white-collar wokers in line with the short notice periods that already exist for certain blue collar workers.

The criticisms were dismissed by Jean-Luc Dehaene, the Belgian prime minister, as "confused and ideological". Such reforms would certainly be difficult to sell in a country that shies away from free-market orthodoxies.

However, the message from the OECD is clear. Failure to restructure what has become an ossified labour market could put Belgium at a serious competitive disadvantage in relation to other EU member states.

LEGAL REFORM • by Neil Buckley in Brussels

A system still in the dock

Reforms have not cleared the name of the country's discredited legal establishment

A year has passed since a crowd of 300,000, dressed in white and carrying white banners and balloons to symbolise purity, marched through Brussels demanding sweeping legal reforms. But the hunger for reform has not been satisfied.

A poll by *Le Soir*, the francophone daily, on the anniversary of the uncovering of the Dutroux affair – the paedophile murder scandal which prompted the White March – found that 50 per cent of Belgians thought the government had "not taken notice" of its citizens' outrage. Some 89 per cent believed reforms were insufficient or "virtually non-existent".

Just as worryingly, a parliamentary investigation into the Dutroux case suggested the marchers' concerns were amply justified.

"The malfunctioning of the Belgian legal system today poses serious problems that put at grave risk the state of law," the inquiry concluded.

The government insists that it has taken steps. In direct response to the Dutroux affair, and a similar paedophile scandal this spring, a centre for missing children has been set up and extensive changes made to the way such cases are handled.

Victims will be allowed to see investigators' dossiers on their cases – a central demand of the parents of the girls involved in the Dutroux affair – to check progress and suggest lines of inquiry.

Some 22 other legal bills are before parliament, while Jean-Luc Dehaene, prime minister, last month tabled a plan for the biggest shake-up in Belgian policing for a century.

But citizens and opposition politicians continue to criticise the reforms as inadequate.

The paedophile cases and continuing investigation of the so-called Brabant Killings – the murder of 28 people by armed gangs in the 1980s – have exposed two main failings in the legal system.

First is the so-called "guerre des polices" – the rivalry, even hostility, between Belgium's three police forces. These are the 16,000-strong gendarmerie, or general police force; the 2,000-strong judicial police, attached to Belgium's 26 public prosecutors and responsible for criminal investigations; and the communal police, or 18,000-strong law-and-order forces controlled by the country's 589 districts or communes.

Both the Dutroux and Brabant Killings inquiries recommended amalgamating the police into a single, national force. Both said failures of co-operation and communication between the gendarmerie and judicial police had hindered the search for the culprits. In the Dutroux case, the commission found that the gendarmerie, which has its own investigating units, had deliberately passed misleading information to the judicial police, in the hope of grabbing the glory of solving the crime for itself.

But, under pressure from local politicians who insist the communes have a historic right to control policing, Mr Dehaene has stopped short of implementing the recommendations for a single force. Instead, the plan he presented was to amalgamate the gendarmerie and judicial police, leaving the communal police intact.

Steps would be taken to ensure the national and local forces co-operate with each other, the plan says.

"For the government... an integrated police force means above all collaboration, whatever the structure that happens to be chosen," it states.

Legal reform supporters welcome the move towards a national force but warn that the maintenance of separate communal forces could still lead to breakdowns.

The second priority area for reform is the courts' system. In the Belgian system, similar to the French Napoleonic model, the 26 judicial districts, or *arrondissements*, are involved not just in trying cases but actually investigating crime, in conjunction with the police.

Problems here are both financial and political. Years of underfunding has left the judicial system lacking manpower and information technology, resulting in a huge backlog of cases. Some 60 per cent of legal complaints investigated by the Brussels courts, for example, never come to trial – many because of lack of resources.

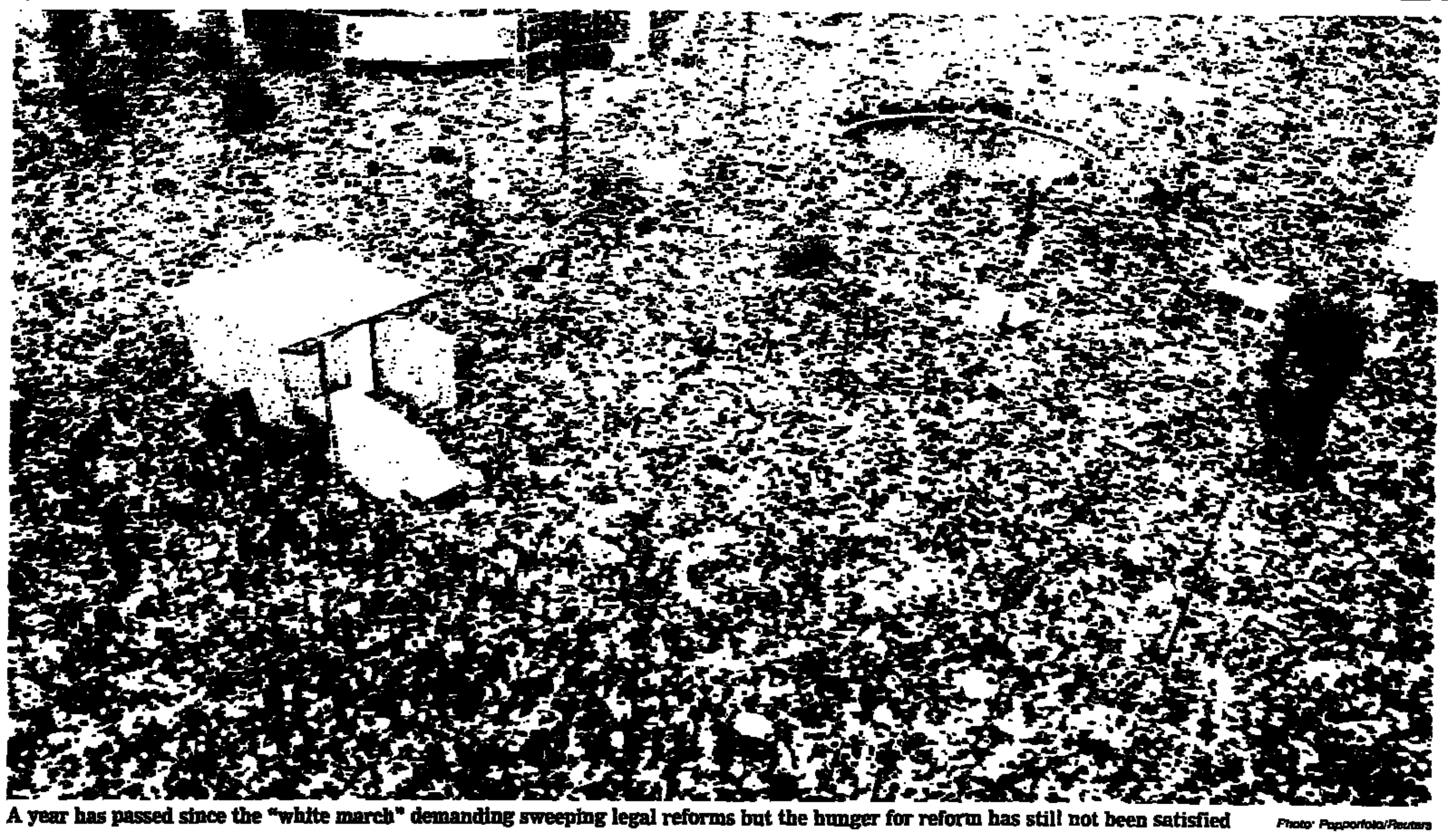
At the same time, the fact that judges are recommended for their positions by local administrations has led to many being rather closer to politicians than they should be.

Moves have been taken to end political appointments by creating an independent body of judges, selected according to objective criteria – including demanding entrance examinations – and overseen by a legal watchdog, the Supreme Justice Council.

On the funding issue, the government maintains that the justice system is the public service to have enjoyed consistently above-inflation spending increases throughout Belgium's austerity programme of recent years.

The 1998 budget awarded it an extra BFr3.2bn – an 8 per cent increase – while BFr2bn of an increase awarded to the public works ministry will go on new legal buildings.

Opposition parties, however, suggest the judicial system needs at least an extra BFr15bn a year to function effectively. But, in a Belgium committed to the fiscal constraints of monetary union and already boasting among the highest taxes in the EU, that kind of money is not likely to be available any time soon.



A year has passed since the "white march" demanding sweeping legal reforms but the hunger for reform has still not been satisfied Photo: Pappafoto/Reuters

Shares in leading banks have been some of the best performers on the Brussels Bourse this year Photo: Veronica Garbutt

BANKING AND FINANCE • by Neil Buckley

Desperate search for partners

Increasing calls for creation of fewer, bigger banks are being made

Are Belgium's biggest banks about to start a multi-billion dollar merger rush? The stock market certainly thinks so.

Shares in the leading banks have been some of the best performers on the Brussels Bourse this year, outstripping even the Bel-20 index of leading shares. Shares in Banque Bruxelles Lambert, Belgium's third-biggest, are up over 35 per cent on the start of the year, having been up almost 50 per cent in summer; Kredietbank, the second-biggest, is up over 40 per cent, having been up almost 60 per cent in July.

Investors, politicians, and many bankers themselves believe Belgium must create fewer, bigger banks if the country's financial sector is to compete in the world of the single European currency.

In fact, the merger speculation, though more fervent in recent months, dates back several years, and the rush to find partners has already started.

Crédit Communal de Belgique, the municipally-owned bank, last year allied with Crédit Local de France, the French bank specialising in public sector finance, to create a new force, Dexia. The bank, with a twin management structure and jointly quoted on the Paris and Brussels bourses, aims to expand into public sector finance in eastern and southern Europe, and financing big infrastructure projects.

Bacob Bank, Belgium's seventh largest, earlier this year acquired control of Paribas Banque Belgium, the eighth-biggest, in an agreed deal.

That leaves five of the "seven sisters" – Belgium's biggest seven banks – still potentially in search of suitors.

The question is whether they will link to form a *Grande Banque Belge*, as many in the government would like, or end up marrying foreign partners.

Long-running favourite to become the *grande banque* – a merger of Générale de Banque, Belgium's biggest, with BBL – now looks unlikely. Talks have taken place, but the sticking point is the 20 per cent stake held in BBL by ING, the Dutch bank – a legacy of ING's unsuccessful takeover bid for BBL in 1992.

ING refuses to see this stake diluted in any Générale-BBL tie-up.

Viscount Etienne Davignon, chairman of Société Générale de Belgique (SGB), main shareholder in Générale de Banque, insists the idea of a rival foreign bank holding 20 per cent of a merged Belgian group is unacceptable.

"For the moment it's blocked," he says. "Progress would require a new element to appear from other quarters," he adds – in other words, ING to drop its insistence on keeping 20 per cent.

Belgian financial circles are increasingly convinced that another scenario faces BBL: a second takeover attempt by ING. The Dutch bank refuses to confirm or deny its interest, but does say Belgium is one of the countries it would like to expand into.

The main obstacle is Baron Albert Frère, the secretive Belgian financier who fended off ING's last attempt to acquire BBL. He still directly or indirectly controls a quarter of BBL's shares, while a joint control agreement with another shareholder, Dexia, takes his block effectively to 37 per cent.

But many analysts believe that Dexia will sell its stake if it finds another expansion opportunity in Europe.

"As far as the market is concerned, the Dexia stake is for sale," said one. A further 8 per cent of BBL, owned by Switzerland's Winterthur, is also rumoured to be available.

And even Baron Frère, increasingly interested in his audio-visual empire, which includes CLT of Luxembourg, might sell.

"ING will get BBL if it is prepared to pay enough," speculates one senior Belgian director. "Albert Frère will sell if he can extract the right price."

Several other mergers are being talked of. One is between Kredietbank and Cera Bank, a mutually-owned institution linked to Belgium's biggest farmers' co-operative.

If that goes ahead, analysts speculate the merged Kredietbank-Cera might then link with Rabobank of the Netherlands, to form a Belgo-Dutch group with a joint management structure – similar to the successful model of Fortis, the financial group formed from Belgium's AG and the Dutch AMEV/VSB group in 1993.

Fortis is also in the market spotlight. Its chairman Maurice Lippens fuelled the banking merger mania in September when he suggested ASLK-CGER, the formerly state-owned savings bank of which Fortis owns 50.2 per cent, could be the future partner for Générale de Banque.

Générale directors do not rule out such a possibility, but want to await the outcome of the latest round of CGER's privatisation, in which the Belgian government is selling half its remaining stake.

But Fortis last month formally denied the latest rumour to hit the market – that it was itself angling to acquire SGB's stake in Générale, which would make Fortis the biggest shareholder.

Some analysts still suggest Générale's place in the SGB stable could be in doubt long-term. France's Compagnie de Suez, which owns 63 per cent of SGB, earlier this year merged with Lyonnaise des Eaux, the French utility group.

Both companies suggested their future focus would be on utilities and public services, and many observers believe Suez-Lyonnaise is more interested in Tractebel, the Belgian utilities group also controlled by SGB, than in SGB's financial activities.

The coming months could see Belgium take its own part in the wave of mergers currently sweeping Europe. The shape of Belgian banking could change significantly – even if the government does not get the Grande Banque Belge it was hoping for.

■ **THE REGIONAL QUESTION:** Flanders and Wallonia are attempting to redefine their roles, explains **Neil Buckley**

Seeking autonomy within

Vision for development of Flanders is as the "logistics centre of Europe"

Luc Van den Brande's: "my target is an autonomous Flanders, as much as possible, within the Kingdom of Belgium"

Luc Van den Brande's office overlooks Brussels' Place des Martyrs, a memorial to those who died in the 1830 revolution which created Belgium. But many Belgians on both sides of the country's cultural and linguistic divide fear the policies of the Flemish minister-president could undermine their state.

As he looks across the square to its central statue, marked with the single word "Patria" – the fatherland – Mr Van den Brande insists he is too often misquoted and misunderstood. He has no intention of dismantling Belgium.

"My target is not a constitutionally independent Flanders. That is very clear," he says. "My target is an autonomous Flanders, as much as possible, within the Kingdom of Belgium."

He also says his ideas about the creation of a "Greater Flanders" have been exaggerated. He does not want to see some kind of Flemish empire taking in the southern part of the Netherlands, parts of Germany, northern France, and even southern England. But he does believe that as the European Union is developed and strengthened, neighbouring regions which currently lie across different national boundaries, will inevitably develop closer ties, and form "common economic interest zones".

Ever since he first came to prominence in Belgian politics in the early 1980s, Mr Van den Brande has seen himself as fighting not just for greater Flemish autonomy, but as part of a broader process of regionalisation across Europe.

He first provoked headlines, at least in the Francophone press, suggesting that he was trying to undermine the Belgian state, in 1981, when he proposed ending the then national policy towards "vital economic branches" such as the coal and steel industries, and introducing a regional approach.

From 1988 to 1992 he was federal labour minister, before finding what seems his natural home as minister-president of Flanders after the move to a federal constitution in 1993.

Like most European politicians, he cites job creation as his main priority. His policies for doing so are largely uncontroversial: nurturing private enterprise – 85 per cent of the Flemish economy is accounted for by small and medium-sized businesses; attracting investment by providing good infrastructure and well-trained workers; and trying to develop high-technology industries through higher research and development spending, and partnerships between industry and academia.

He also sees a very specific role for Flanders in the European economy.

"I always say we are a small area, but well-located. We have a good place on the map," he says. "We want to be a leading region in distribution and logistics."

The vision of Flanders as a kind of logistics centre for Europe is compelling. It is at the centre of one of the continent's most densely-populated areas, has three important ports – Zeebrugge, Antwerp and Ghent – within 120km of each other, and good road and rail links with neighbouring countries.

But such policies are not, in themselves, enough to guarantee Flanders' economic future. And that is why Mr Van den Brande wants more autonomy.

For one thing, although he says the federal government's efforts to reduce employers' social contributions and increase competitiveness are substantial and admirable, they are "clearly not enough".

Mr Van den Brande is already trying to reach an agreement with unions and employers in the region that would enable more substantial cuts in labour costs than those at federal level. But he would like to be able to go further.

His demands for the next round of talks on constitutional reform, likely to start in 1999, are taking clear shape. Some demands, for more competence in research and development policy, and in the field of export promotions, are relatively uncontentious.

More controversially, he wants better representation in local bodies for the Flemish minority in Brussels – something which could bring him into conflict with his francophone counterparts.

Most sensitive of all, he wants more power over the region's own spending and taxation, and part of the federal social security system to be devolved to regional level.

The latter demand, in particular, has been criticised by Walloons who accuse him of trying to avoid more prosperous Flanders – a net contributor to the social security system – subsidising the more welfare-dependent Wallonia.

Mr Van den Brande again insists he has been partially misunderstood.

"I am not in favour of a total split in the security system," he says. "I am convinced that in the future there are reasons to have common [federal] pensions and unemployment benefit systems.

"But I am in favour of giving responsibility for healthcare and family allowances to the regions," he adds.

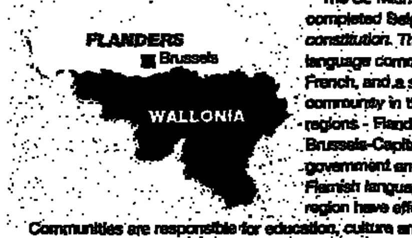
He draws a distinction between "labour-related" branches of social security – pensions and payments to the jobless – and branches not directly linked to labour costs, such as healthcare and family policy.

If Belgium's other regions do not want similar powers, Mr Van den Brande argues that there should be nothing to stop different regions being given different degrees of autonomy – just as the UK, he adds, is offering different levels of self-determination to Scotland and Wales.

"We already have in Belgium a *sui generis* system," he says. "There is no country in the world with the same system of regions and communities."

He insists that an "asymmetric" distribution of powers between the regions, according to what each demands, could actually strengthen the Belgian state.

"If we want to preserve the reality of the Kingdom of Belgium, the only way is to build it bottom-up, and not in the centralist, unitarist way of the 19th century."

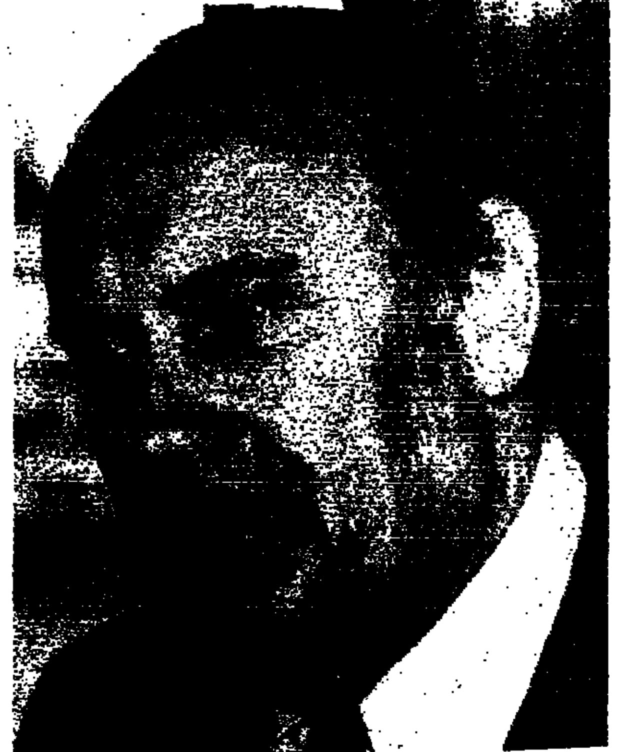


The St. Michael accords of 1993 completed Belgium's shift to a federal constitution. They created three language communities, Flemish, French, and a small German-speaking community in the east, and three regions – Flanders, Wallonia and Brussels-Capital. Each has its own government and assembly, though the Flemish language community and region have effectively merged.

Communities are responsible for education, culture and some health and social policies; regions for economic and industrial policy, environment, housing, energy, employment, transport and agriculture. Federal powers include taxation and monetary policy, external relations, defence, law and order, and social security.

Big plans for small enterprises

Wallonia is striving to preserve its rich business inheritance



Robert Collignon: When companies are doing well, they're Belgian. When they fail, they're Walloon"

Robert Collignon has an explanation for what he says is the misconception that Wallonia's landscape is littered with declining, publicly-owned industries. He calls it the Yannick Noah syndrome.

"When Noah was winning at the Roland Garros stadium, he was French," says the Walloon minister-president. "When he lost, he was from Cameroon. It's the same for us. When companies are doing well, they're Belgian. When they fail, they're Walloon."

But if Mr Collignon wanted to persuade the outside world that – as he insists – his Walloon government is not interventionist by nature, his latest controversial industrial foray will not have helped his case.

The Walloon leader announced last month that the region was buying from France's Giat for a symbolic BFr1 the 92 per cent it did not own of FN Herstal, a loss-making arms manufacturer. The move will prevent a takeover by Colt of the US, and save 900 of FN's 1,400 jobs. But it will also cost the region BFr2.5bn ($697m) in a capital injection.

Mr Collignon says the acquisition is a "carrying operation" to allow FN to be made ready for sale as a going concern. The region will look for a managing partner.

FN is one of more than 500 enterprises linked directly or indirectly to the region through its investment bodies. The regional portfolio is worth BFr90bn.

But the Walloon leader insists this is not entirely by choice. The region inherited much of its portfolio when Belgium became a federal state, picking up industrial stakes bought by successive governments.

Mr Collignon says: "I repeat endlessly that we don't have an industrial vocation. Historical circumstances have left us operators of many businesses.

"If my predecessors had not taken these decisions, I think the industrial fabric of Wallonia would have been at risk of disappearing. It was a survival operation that had to be carried out because other groups were disinvesting."

He cites Société Générale de Belgique, which largely financed the rise of Walloon industry last century and is still Belgium's biggest holding company, as having "simply abandoned" Wallonia. He adds that many publicly-owned Walloon businesses are run by managers recruited from the private-sector – just as if they were private.

By his own admission, the man responsible for Wallonia's economy is not a natural industrial manager. The former lawyer came to international attention as chairman of the parliamentary inquiry into one of Belgium's unhappiest incidents: the riot at the 1985 European Cup final at Brussels' Heysel stadium, which left 38 dead.

That role provided a bruising lesson in the horse-trading of Belgian politics. Mr Collignon's well-researched and highly critical report was brushed aside by the government, largely to save the job of the interior minister responsible for the police force.

Now the one-time provincial mayor is back in a former town hall building – refitted and restored to become the regional government seat at Namur, south-west of Brussels.

Although he avoids making comparisons himself, the economic programme announced last week by Mr Collignon bears strong similarities to that of neighbouring Flanders.

Wallonia, he says, must "rediscover the spirit of entrepreneurialism" that made it a 19th century industrial power.

"Our wish is to create a fabric of small and medium enterprises making high-technology products," he says.

Red tape is to be cut and access for entrepreneurs to financing and to scientific research in the region's universities is to be improved. Another priority is to persuade private sector financial institutions to invest more in the region.

"We are a region that is not poor, that has significant levels of savings," says Mr Collignon. "But it doesn't convert those savings into risk capital."

Attracting foreign investors is also important, the Walloon leader says, but here the region confronts the limit of its competencies. It cannot, for example, make unilateral tax cuts, or cut social costs.

In direct contrast to his Flemish counterpart, Luc Van den Brande, however, Mr Collignon is not demanding more powers in such areas.

"We are very conscious that, if we went beyond the system we have, if we tried to increase our competencies – as our Flemish compatriots regularly demand – we risk seeing the dismantling of Belgium," he says.

He similarly rejects any regional split in the social security system.

"Social security is one of the foundations of the unity of the state. As soon as you split off, for example, health insurance, you get into questions about splitting pensions, unemployment benefits, family allowances. That situation risks becoming damaging."

While there are some limited areas where the Walloon leader would like more powers, he warns that going further risks opening a "Pandora's box".

Such comments might seem disingenuous. When Flemish activists seized on last year's paedophile scandal – which took place in Wallonia – as further reason to distance Flanders from its southern neighbour and foster links with the Netherlands, Mr Collignon suggested Wallonia might look southwards to France. Most Walloons, he noted, lived closer to Paris than most French.

Colleagues suggest, however, that this was merely a warning shot. For now, Mr Collignon says he will do "everything in his power to keep Belgium together".

"I subscribe totally to federal loyalty," he says. "I try to respect the constitution and the special rights created by the federal system. Not respecting them could lead to a breakdown that would be as damaging to our Flemish compatriots as to us."

TOURISM • by Emma Tucker

Passing through is now passé

In a country often reputed to be dull, the attractions are many and varied

A ride into the past: tourists sit on a barouche in the Burg, Bruges Photo: Ray Roberts

One of the most frequently repeated clichés about Belgium is that it is a country to drive through en route to more attractive places, rather than one in which to spend time.

But for such a small country, Belgium is home to a surprising number of cultural as well as natural treasures. The north boasts medieval Flemish cities such as Ghent, Bruges and Antwerp, as well as the moving battlefields of the First World War and the well catered for North Sea coast.

In the south, the unspoilt forests of the Ardennes attract thousands of outdoor enthusiasts every year. They come to exploit the region's hiking, canoeing and cycling opportunities, not to mention its renowned gastronomy.

The capital Brussels, also has its attractions including the splendid medieval Grand Place, some of the best restaurants in Europe, and the rather less enchanting but nevertheless interesting European Union institutions which make Brussels the capital of Europe as well as Belgium.

In addition, successful promotion campaigns for Belgian beer and food, backed by the opening of Belgian-style restaurants in other European capitals, has made Belgium a more chic destination than it once was.

However, the country is not top of the list of most European travellers' desired destinations. Nor is tourism a particularly important component of the economy. Jobs in the the industry – hotels and restaurants – account for only 3 per cent of employment in all economic activities. As a percentage of GDP, the tourist industry has risen from 3 per cent in 1980, to 4 per cent in 1994.

The popular coastal resorts of the North Sea - which account for 60 per cent of total hotel nights - cater mainly for Belgian tourists loyal, or perhaps just more aware, of their country's attractions. Overall, Belgians accounted for more than half of the 26.4m overnight stays spent in Belgium last year by EU visitors, according to figures from the National Statistics Office.

Recent government figures suggest that the number of foreign visitors to the country is increasing as cheaper air fares and the Eurostar train link to the UK have combined with the attractions of Belgium's medieval cities to attract short stay visitors in particular.

In 1994, the total number of nights spent in Belgium by overseas visitors was just over 13m. Last year it had risen to 14.3m.

However, figures from the European Commission suggest Belgium's tourist authorities could do more to promote their country's attractions further afield.

Overseas visitors to the country come overwhelmingly from Belgium's immediate neighbours. Visitors from the Netherlands, Germany, the UK and France accounted for 77 per cent of total overseas visitors in 1994, according to the Commission.

Of these, the Dutch accounted for 34 per cent, Germany for 21 per cent, and the UK and France for 11 per cent each. By contrast, the Netherlands can boast the US as one of the top four countries generating most tourism every year.

Some critics say in-fighting between Belgium's two main regions – Flanders and Wallonia – has affected the ability of the country to promote itself effectively overseas. The regional and linguistic divide in Belgium is lost on most foreigners, but at a national level tourist promotion is left up to regional organisations.

Last year Flanders – the Dutch speaking region – and Wallonia – the country's francophone South – clashed over whether it should be allowed to promote its attractions as "Flemish" rather than "Belgian".

Eventually Flanders served notice that it wanted to go it alone. "Adieu la promotion touristique de la Belgique" complained Le Soir, the francophone daily, before alleging a plot by the Flemish to take over the promotion of bilingual Brussels as well.

But overseas bureaux – which house the Flemish and Wallonian tourist boards – continue to promote the two halves as Belgium rather than confusing would-be visitors with details of internal feuding.

Ever conscious of the need to attract more visitors, the various tourist authorities have set up a series of attractions straddling the country, for next year. 1998 has been designated Rene Magritte year, in honour of Belgium's celebrated surrealist artist. Throughout the year there will be exhibitions in Wallonia and Brussels of Magritte's work, along with that of other surrealist artists such as Paul Delvaux.

On the Dutch side, Flanders is organising a Brueghel exhibition in Antwerp in the spring, following the huge success of a Hans Memling exhibition in Bruges three years ago.

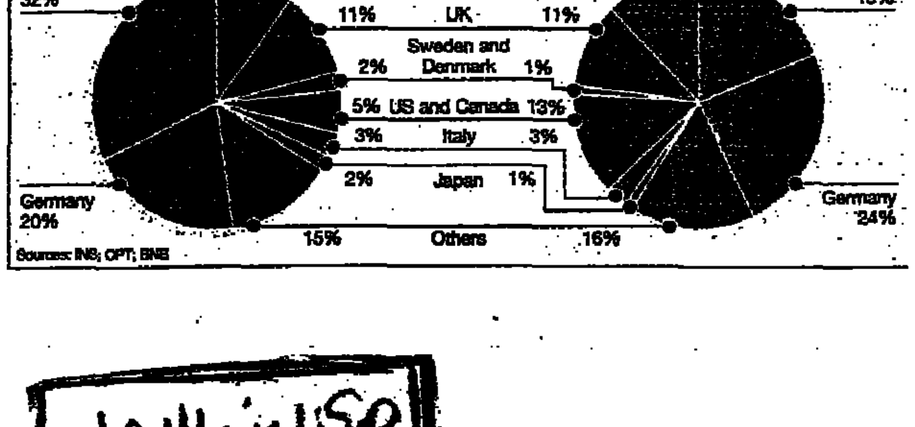
Antwerp: a bird market and a Brueghel exhibition next spring are attractions Photo: Lydia van der Meer

Liège, one of Belgium's less frequently visited cities, has plans to build a "mega-museum" in a bid to attract more tourists. The plan is not without controversy. Its construction would require the demolition of certain historic buildings and preservation societies have vowed to fight.

In Bruges – possibly Belgium's most popular tourist attraction – controversy of another kind is dogging the city authorities. A new history of the city, sanctioned by its mayor, says Bruges – known as one of the most miraculously preserved jewels of medieval Europe – is largely a fake. According to the book's author, Belgian historian Roel Jacobs, the great majority of Bruges' buildings are from the 19th century.

The news is unlikely to deter visitors. Even if it is not as authentically medieval as once believed, Bruges remains an exceptionally beautiful city. Given the right promotion overseas, it and Belgium's other charms should yet lure travellers who might otherwise have sped through the country with never a backward glance.

Tourism



Sources: INS; OPT; BNB

هكذا من الاصل

Striking workers outside Forges de Clabecq in 1995. Its furnaces are due to fire up again next month, with less than half of its workforce of a year ago Photo: EPA

STEEL INDUSTRY • by Neil Buckley

The shake-out continues

The region regarded as Europe's steel powerhouse is regrouping

When the blast furnaces towering over the river Sennette near Clabecq fell silent last December, few believed they would ever restart. The bankruptcy of 200-year-old Forges de Clabecq seemed an omen for the once-mighty Walloon steel industry, and the thousands of jobs it still supports.

Next month, the furnaces of Clabecq are due to fire up again. But the restart is symbolic: Clabecq is now under foreign control, with less than half its workforce of a year ago.

Wallonia's steel industry dates back to the French occupation of 1794-1814, when the demands of the Napoleonic war economy put Belgium on track to become the second industrialised country after Britain.

The enterprise of several Walloon families, financing from the Société Générale de Banque (now Société Générale de Belgique) and the steam engines of Englishman William Cockerill turned the valley of the Meuse and Sambre rivers – linking Liège, Charleroi and Mons – into Europe's steel powerhouse.

But competition from emerging lower-cost producers in eastern Europe and Asia has hit Walloon's remaining manufacturers hard. Cockerill Sambre, western Europe's last big publicly-owned steelmaker which swallowed up many of the region's smaller groups, made a BFr9bn loss last year after restructuring costs.

A year-long shake-out involving the loss of more than 2000 jobs, and a series of link-ups with partners, has left the future of several producers looking more certain. But it is a future not as independent Walloon groups, but as slimmed-down components of broader pan-European alliances.

The pattern was set last December, when attempts to create a Walloon supergroup failed. Usines Gustave Boël, the loss-making family-controlled steelmaker, and Cockerill Sambre broke off alliance talks.

"There was simply no industrial complementarity," says one Belgian steel analyst.

In fact, Cockerill was interested in one of UGB's two arms, the profitable Fabrique de Fer de Maubeuge, just over the border in France.

But it was not interested in UGB's other arm at La Louvière, near Charleroi, a loss-making integrated steelmaker producing 1.5m tonnes a year.

But within days UGB had another partner – Hoogovens of the Netherlands. While La Louvière's blast furnaces were antiquated, its rolling mills were modern but under-utilised. Hoogovens, with a surplus of semi-finished products, saw the opportunity to use the mills.

The result was the creation in February of HB Holding, a 50-50 joint venture between Hoogovens and UGB, with a BFr4.25bn cash injection from the Dutch group, BFr1.5bn from UGB's shareholders, and BFr500m from the Walloon region's steel investment arm.

The cost, however, was the loss of 1,200 jobs as La Louvière's blast furnaces closed.

By summer, it was Forges de Clabecq's turn. The loss-making and debt-laden plant, 30km south of Brussels, closed in December after the European Commission refused the Walloon region's request to pump BFr1.5bn of state aid into it.

After months of refusal by unions, and their pugnacious Marxist leader Roberto D'Orazio, to countenance any rescue plan that would not save all 1,800 jobs, workers eventually voted to accept a relaunch of the plant by Duferco, the Italian-Swiss steel trader, with little over 800 jobs.

Last month, Fabrique de Fer de Charleroi, or Fafer, continued the run of steel marriages. Fafer was profitable, but small – producing 200,000 tonnes of specialised, premium products last year. It feared a hostile takeover or being squeezed out of the market by the emerging European giants.

It courted buyers, and found Usinor of France, which last month bought 50.7 per cent of Fafer and announced intentions to acquire 100 per cent in a deal worth BFr10bn. All 1,000 jobs will be safeguarded.

The final marriage candidate is Cockerill Sambre itself. The group returned to profit in the first half of 1997, and is implementing a restructuring plan aimed at knocking BFr10bn off annual costs – partly through cutting 2,000 of its 10,000 jobs.

Its east German subsidiary, Ekostahl, acquired in 1995, is also expected to make its first profit next year. The German group gives Cockerill both a lower-cost production capacity, and a gateway into the eastern European market.

But analysts suggest that, having dropped to seventh-largest producer in Europe after the link-ups of Germany's Thyssen and Krupp, Luxembourg's Arbed and Spain's CSI, and Hoogovens and Boël, Cockerill must make a further alliance if it wants to retain its clout.

Jean Gandois, Cockerill's chairman, has made his views clear.

"I will retire in 1999, and I will feel happier if I don't leave Cockerill Sambre all alone," he says.

An internal working group will complete a year-long study into Cockerill's future next month, and recommend whether it should seek a partner.

Who might be candidates? Hoogovens and British Steel say they are not interested. But Francis Mer, chairman of Usinor, has made overtures.

"If Cockerill Sambre decides to look for a partner, I do not see why we should not be that partner," he says. Analysts name Riva of Italy as another potential suitor.

Cockerill's problem, however, could be the 78.7 per cent stake held by Wallonia. Investors or alliance partners might not accept any deal which left Cockerill publicly-controlled. But Wallonia will almost certainly seek guarantees on job preservation which could tie Cockerill's hands in negotiations.

What could be difficult alliance talks are likely to begin early next year. Their outcome will be crucial to determining in what kind of shape the Walloon steel industry enters its third century.

PROFILE Lernout & Hauspie

New investors speak volumes

An alliance with Microsoft has confirmed a position at the cutting edge

Lernout & Hauspie Speech Products was already attracting US and European investors' attention as one of Belgium's fastest growing companies. AT&T had a 4 per cent stake. But, it was Microsoft's purchase in September of an 8 per cent interest and an agreement to share technologies which confirmed Lernout & Hauspie's position at the cutting edge of an industry, speech processing, which is forecast to enjoy triple digit growth annually to the end of the century and beyond.

The alliance is aimed at accelerating development of the human voice as an interface in a broad range of applications from personal computer software to Internet browsing. It has had a profound effect on Lernout's shares which began trading at $12 when the company floated two years ago, moved into the $20s this year and, after the Microsoft alliance, went beyond $50.

The increase is justified, say Lernout's supporters, by a company that constantly outperforms expectations and has an exponential growth record.

Lernout's latest results, for the third quarter to September 30 showed, a 285 per cent increase in revenues to $27.9m. Although a spate of acquisitions accounts for some of the increase income per share rose to $0.26 per share from $.010 per share for the third quarter of 1996.

Analysts expect it to make revenues of about $95m to $98m this year.

Lernout & Hauspie has dual headquarters in Ieper, Belgium, and Burlington, Massachusetts, and is the creation of two Belgian entrepreneurs, Jo Lernout and Pol Hauspie.

Lernout, a former executive of Wang Laboratories had an idea for a voice-mail that would listen to voice commands rather than touch-tone pad instructions. He took it to Hauspie, a former accountant who designed tax-planning software and together they founded L&H with $400,000 in equity and a $300,000 bank loan.

L&H is now quoted on the Nasdaq stock market in the US and Easdaq, its equivalent in Europe and employs 750 people. A share price of $50 puts the value of the company at about $1bn.

Other Flanders companies are benefiting from its success. About a dozen companies around Ieper specialise in speech linguistics and are developing technologies under licence from Lernout.

Market analysts believe the world speech processing industry is set for heady growth because of its potential application to a wide variety of industries. One estimate forecasts a growth in the market from $660m in 1996 to $7bn in 2000.

Mr Gaston Bastiaens, a former executive at Philips and Apple computer who is now L&H's chief executive, says he expects the technology to show up in everything from video recorders to cappuccino makers. The market is taking off because of the availability of high performance, low cost digital single processors which facilitate speech recognition, he says.

As an example L&H technology will next year be used in a car navigation systems which enables drivers to talk to their cars. Says Mr Bastiaens: "You know where you are, say Berkeley Square, but you want to get to Trafalgar Square. You ask the car and it says take the next right. But there's a road block there so the car gives you different instructions." This is achieved by embedded technology in the car which communicates with a satellite.

In another application – the one that interests Microsoft – people can talk to their computer. Instructions are given by voice rather than hand, thus doing away with the need for a mouse and keyboard. This means for example that in word processing computer operators are able to articulate instructions about changing type fonts and re-ordering tables, rather than punch them in.

Other companies active in speech technology include IBM and Dragon Systems. Mr Bastiaens believes Lernout has a competitive edge because it offers such a wide range of services. These span from speech compression, text-to-speech and automatic speech recognition facilities – all in the company's core division – to dictation and simple translation services.

Following recent acquisitions, Lernout employs 230 translators and has a further 1,200 available for contract. It is one of the few companies in the field to have developed products in as many as 20 different languages.

Lernout's management will have to work hard to ensure new employees are assimilated successfully.

There are no signs of problems yet however and investors are concentrating on the positive.

Michael Smith

TELECOMMUNICATIONS • by Michael Smith

War of spoken words

Belgacom is slimming down to its fighting weight in anticipation of an open market

Preparations for market liberalisation at telecoms operator Belgacom leave no room for doubt. Staff have been told they must "get combat ready".

John Goossens, chief executive, says he wants staff to awaken to the fact that, from January 1, 1998, they will be at war in the voice telephony market as well as other sectors already opened to competition.

The effects of battle have already been felt in the company. In the 18 months to December 1998, Belgacom has shed a quarter of its staff and given notice to those that are left that they must provide customers with a much improved service.

There will be further change, and possibly pain, ahead. With the government still finalising details of how it intends to liberalise the voice telephony market, most potential competitors are keeping details of their plans to themselves. But few doubt that companies like BT of the UK, France Telecom and KPN of the Netherlands – either individually or in partnerships – will challenge Belgacom's monopoly. "Everybody and his cousin will be here," says Mr Goossens.

The battle for market share is expected to start slowly with most competitors restricting their initial challenge to the lucrative business market. But Belgacom will face growing competition for household accounts in Flanders from Telenet Vlaanderen, a consortium of cable TV operators and US West, the US telecoms group.

Telenet expects to be able to offer its services to 60 per cent of Belgian homes by the year 2002. It is building its own broad band network rather than exercising its right to use the incumbent monopoly's system.

In the business market, Worldcom, the US operator currently vying with GTE for control of fellow US group MCI in one of the world's biggest takeover battles, is also a challenger.

Worldcom has formed a joint venture with Coditel, the cable TV operator owned by Belgian utility group Tractebel, to construct a fibre-optic network in Brussels. It plans to offer cheap international voice and data transmission, mainly to financial groups and international companies, and has been connecting clients since July – including the Brussels Bourse.

EU nations agreed in the early 1990s to open up telecommunications markets to competition as part of the drive for a single market. Belgacom has thus had plenty of time to prepare.

The government's sale of a 49.5 per cent stake in the company to a consortium including Ameritech of Chicago has helped inject some private sector rigour into a company that was once a byword for bureaucracy and inefficiency.

Mr Goossens says Ameritech and its consortium partners, TeleDanmark and Singapore Telecom, have played a crucial role in Belgacom's development. Ameritech last month bought a 42 per cent stake in Tele Danmark and Mr Goossens expects it will lift its Belgacom stake, too, if the government is willing to sell.

Mr Goossens, a former Alcatel executive, was appointed chief executive three years ago and identified five priorities.

Apart from exhorting staff to be "combat ready", he wanted the company to aspire to world class efficiency, to "innovate for growth", to become more professional with a better qualified staff and to improve customer service. He has achieved some success.

Three years ago, only 3 per cent of the company's 26,000 employees had university or higher education degrees. Today, the figure is up to 15 per cent and for the end of 1998 the target is 25 per cent.

In spite of the staff cuts, the company is hiring 2,000 new employees to improve information, commercial, financial and human resource functions.

John Goossens: aspiring to world class efficiency

Of the 20,000 or so employees who will be left by the end of next year, 5,200 are being retrained for different functions.

Belgacom is moving into new areas, such as security - Belgacom Alert Services, a subsidiary offering alarms for households and businesses will be up and running from January 1 – and is boosting its presence overseas through ventures in, for example, France and Russia.

But it is in the core telecoms business that the biggest changes are taking place.

It is only a few years ago that Belgians faced waits of three months for installation of a telephone service. Now the wait is down to two days in 60 per cent of cases and, from next year, the company will offer a month's free subscription for every day they fail to instal a new service within a specified period.

Analysts applaud Mr Goossens' achievements. But they point out that Belgacom came from a low efficiency base and believe the company still faces difficulties fending off inroads into its market.

One attraction of Belgium for such competition is the large number of multinational companies in Brussels.

James Downie, telecoms analyst at ABN Amro Hoare Govett, expects interconnection charges to Belgacom's network to be relatively low for its rivals. "This means new entrants will not have to set up new networks.

"Belgium will be attractive to outside operators because Belgacom still has fairly high prices for long distance and international calls."

BT says Belgium is "definitely a country we are looking at" but stresses that it would not make final decisions until the government had decided on a regulatory framework.

Analysts say it would be surprising if France Telecom stood aloof from the fray since it has already shown interest through involvement in Mobistar, which won Belgium's second mobile phone licence last year and now claims about a quarter of the market.

Another challenger will be KPN in conjunction with Unisource, a consortium linking it with Telia of Sweden and SwissCom. KPN is already providing data communications for businesses in Belgium.

Telenet, too, is offering business services and, so, starts with a big advantage in the household market. The 17 cable TV operators which partly own it are already well established among potential customers. In Flanders, 95 per cent of households have cable TV, one of the highest penetrations in the world.